AR62

Winspear Business Reference Library
University of Alberta
1-18 Business Building
Edmonton, Alberta T6G 2R6

ANNUAL REPORT 2003

entertainment for **your** world

Astral Media

Astral Media®

entertainment for your world

television | **radio** | outdoor **advertising**

PAY AND PAY-PER-VIEW TELEVISION

- **The Movie Network** www.themovienetwork.ca
- **Super Écran** www.superecran.com
- **Mpix** www.mpix.ca
- **Viewer's Choice** (50.1%) www.viewerschoice.ca
- **Canal Indigo** (20.04%) www.canalindigo.com

SPECIALTY TELEVISION

- **Family** www.family.ca
- **Canal Vie** www.canalvie.com
- **Canal D** www.canald.com
- **VRAK.TV** www.vrak.tv
- **Z** www.ztele.com
- **Historia** (50%)

RADIO

FM Stations (Québec)

- **Énergie** www.radioenergie.com
  - énergie 94.3 (Montréal)
  - énergie 94.5 (Saguenay/Lac-St-Jean)
  - énergie 98.9 (Québec)
  - énergie 99.1 (Rouyn-Noranda)

FM Stations (Atlantic)

- CIKX 93.5 (Grand Falls, NB)
- CKTY 99.5 (Truro, NS)
- CKTO 100.9 (Truro, NS)
- CJCJ 104.1 (Woodstock, NB)
- CFXY 105.3 (Fredericton, NB)
- CIBX 106.9

OUTDOOR ADVERTISING

www.astralmediaoutdoor.com

- Québec
- Ontario
- Alberta
- British Columbia

www.historiatv.com

Séries+ (50%)
www.seriesplus.com

MusiquePlus (50%)
www.musiqueplus.com

MusiMax (50%)
www.musimax.com

TELETOON (40%)
www.teletoon.com

Astral Media Plus

Astral Media TVPlus
www.astralmediatvplus.com

Astral Media Mix

The Harold Greenberg Fund

Artech Digital Entertainments (51%)
www.artech.ca

TV MAXPLUS (50%)

énergie 102.3 (Mauricie)

énergie 102.7 (Val-d'Or)

énergie 104.1 (Outaouais)

énergie 106.1 (Estrie)

RADIO RockDétente
www.rockdetente.com

CHEY 94.7 (Trois-Rivières)

CIMF 94.9 (Gatineau)

CFIX 96.9 (Saguenay)

CITÉ 102.7 (Sherbrooke)

CITÉ 107.3 (Montréal)

CITF 107.5 (Québec)

Boom fm
boomfm.astral.com

boom 105.3

boom 106.5

(Fredericton, NB)

AM Stations (Atlantic)

CKHJ 1260 (Fredericton, NB)

CKBC 1360 (Bathurst, NB)

Télé-Annonces
www.teleannonces.com

Table of Contents

profile

Astral Media is one of Canada's leading media companies, reaching people through a combination of highly targeted media properties in specialty, pay and pay-per-view television, radio and outdoor advertising.

The Company is the country's largest operator of English and French-language specialty, pay, and pay-per-view **television** services and is currently involved, on its own or with partners, in 19 network licences. **Astral Media** and its television networks also play a unique role as the largest private sector supporter of Canadian feature films. In **radio**, **Astral Media** owns 24 radio stations, including 16 French-language FM stations in Québec, that are grouped in three highly complementary networks: Énergie, RADIO RockDétente and Boom fm. The Company also owns 6 FM and 2 AM English-language stations in the Atlantic Provinces. Astral Media Outdoor is one of Canada's most dynamic and innovative **outdoor advertising** companies with some 3,500 faces in Québec, Ontario, Alberta and British Columbia. **Astral Media** employs more than 1,700 people at its facilities in Montréal, Toronto, Ottawa and a number of cities throughout Québec and the Atlantic Provinces.

The shares of **Astral Media Inc.** trade on the Toronto Stock Exchange under the ticker symbols: ACM.A/ACM.B.

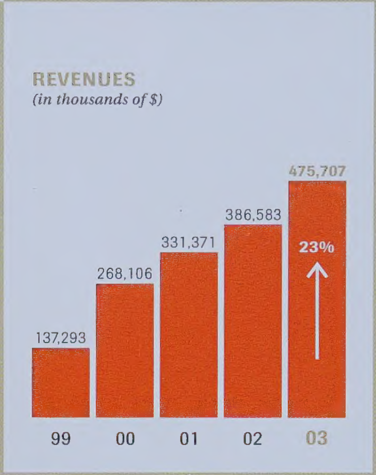
Table of Contents

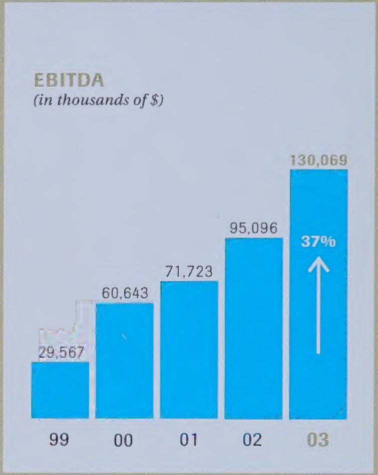
financial highlights[1]

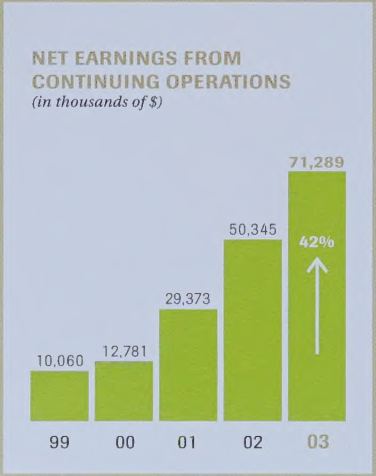
(in thousands of $)	2003	2002	2001	2000 Pro forma[2]	1999
Revenues	475,707	386,583	331,371	268,106	137,293
EBITDA	130,069	95,096	71,723	60,643	29,567
Earnings from continuing operations before income taxes	112,942	81,796	43,606	28,400	17,761
Net earnings from continuing operations	71,289	50,345	29,373	12,781	10,060
Net earnings	67,836	57,110	34,654	13,560	14,924
Cash flow from continuing operations	87,912	62,296	48,608	37,480	16,798
Long-term debt (including short-term portion)	8,756	–	–	101,070	125,706
Shareholders' equity	763,103	599,734	537,649	311,573	299,662
Total assets	1,219,658	976,531	912,849	605,116	570,028

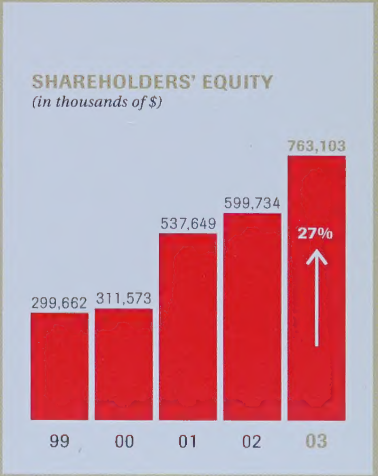
PER-SHARE DATA (in $)[3]					
Net earnings from continuing operations	1.31	1.02	0.65	0.33	0.34
Net earnings	1.25	1.16	0.76	0.35	0.50
Cash flow from continuing operations	1.62	1.27	1.07	0.97	0.57
Dividend	0.15	0.15	0.15	0.15	0.15
Book value[4]	13.81	12.09	11.07	8.01	7.79
Average number of shares outstanding (000's)	54,233	49,151	45,482	38,626	29,714

[1] *All figures exclude discontinued operations, except net earnings, shareholders' equity and total assets.*
[2] *See note 1a) of the audited financial statements in the 2001 Annual Report.*
[3] *Per-share data has been restated to reflect the two-for-one stock split on April 9, 2002.*
[4] *Based on the number of shares outstanding as at August 31.*









message to shareholders

Ian Greenberg
President and Chief Executive Officer

André Bureau
Chairman of the Board

By truly listening to our customers and diligently catering to their needs, Astral Media is able to deliver some of the highest quality and most targeted media vehicles in the industry today. This is Astral's mission, and is best captured by our theme for this report: *entertainment for **your** world*.

For our television and radio audiences, this means keeping them entertained and informed with specialized brands that deliver the content they are looking for. For advertisers, our diverse and growing audiences along with their brand loyalty translate into focused and cost-effective marketing opportunities that leverage our integrated television, radio and outdoor advertising assets – unique in the Canadian market.

By following this formula, we have enjoyed rewards befitting our efforts. Since adopting its pure-play media strategy in 1996, Astral has grown into one of Canada's largest, most respected and profitable media companies. We are the country's leading provider of English- and French-language specialty, pay and pay-per-view television services, one of its five largest radio broadcasters and its third largest outdoor advertising company.

We recorded a superb year in Fiscal 2003, one that not only surpassed already high expectations, but continues an extended period of growth in long-term value for our shareholders.

Record Financial Results

Delivering on our promises of last year, we once again achieved record financial results in Fiscal 2003 by just about every key financial and operating measure. Revenue increased 23% to $475.7 million while EBITDA rose 37% to $130.1 million. Net earnings and earnings per share from continuing operations were also the highest in the Company's history at $71.3 million and $1.31, respectively. While these results include the impact of assets acquired from Telemedia for 10 months, organic growth of EBITDA was an equally impressive 20% for the year, surpassing expectations.

Three key growth factors drove performance in Fiscal 2003:

- **Subscriber growth in pay television.** Our Television Group continued to benefit from the growth of digital cable and satellite services as well as its top-rated programming. This powerful combination led to the growth of our pay-TV subscriber base that now totals 1.3 million, an increase of 12% over last year.
- **Advertising revenue growth in specialty television.** Complementing the subscriber growth in pay TV, our specialty networks saw a 33% increase in advertising revenues, reflecting a focused sales strategy, relevant and strong programming and the continued migration of advertising dollars from conventional television to our more targeted specialty networks. Overall revenues and EBITDA for the Television Group rose 12% and 19%, respectively.
- **Integration of radio operations acquired from Telemedia.** Radio delivered outstanding results on the heels of the highly strategic transaction with Telemedia Corporation. Advertising revenues rose 130% including results of the Telemedia stations, and 15% on an organic basis, surpassing the industry average for our markets. With strong profit margins and revenues approaching $100 million, Radio is an important and growing contributor to Astral's overall financial performance.

In addition to the successes in Television and Radio, Astral Media Outdoor (AMO) posted improved results in a challenging environment, meeting its targets for the year. Despite heavy competition in Ontario and regulatory changes affecting signage in Québec, AMO added nearly 200 signs in strategic locations and enhanced its reputation for creativity with the launch of some truly innovative campaigns.

Impressive results were also generated by Astral Media Mix, our mixed media advertising sales group offering our signature combination of television, radio, and outdoor advertising platforms. Sales of Astral Media Mix have more than doubled over the past year and are expected to experience double-digit growth next year.

Committed to Our Industry

At Astral, we take great pride in our ongoing contributions to the Canadian broadcasting system. As the largest private source of funding for English- and French-language movies in the country, we have for many years provided support to thousands of producers, artists, writers, and technicians who play a crucial role in the development of our culture and our national identity.

Our television networks and radio stations spend millions of dollars annually on the purchase and development of Canadian content, original programming and the support of emerging talent. We are also committed to reflecting the many facets of Canada's cultural diversity through our programming choices. In addition, Astral Media The Harold Greenberg Fund/ Le Fonds Harold Greenberg remains a major source of funding for English- and French-language television production and cinematography in Canada. We are especially gratified that our growth has translated into a steady increase in our financial support for original productions and Canadian talent in a period where public funding mechanisms have mostly been in decline.

We are also an active industry contributor in other important areas, as exemplified by our efforts to combat the problem of satellite signal theft. This illegal activity costs the Canadian broadcasting system, its participants and rights holders an estimated $450 million in lost revenues each year. Acting individually and in concert with other key stakeholders including broadcasters, distributors, regulatory bodies and the federal government, our initiatives brought about important successes in this area.

Mario Tessier and José Gaudet
Les Grandes Gueules
Énergie

Nathalie St-Pierr
Tous les samedis dès 10
RADIO RockDétent

Sexe à New York
Séries+

Through the Coalition Against Satellite Signal Theft, a national public awareness campaign was launched to educate consumers about the implications and consequences of signal theft. A number of enforcement measures were also successful in sending a very different kind of signal to those who would engage in this harmful practice. In addition, the government has recently proposed important changes to the Radiocommunications Act, aimed at combatting signal theft. We are very encouraged by the early results of these measures and will continue to be both highly visible and vigilant on this issue.

Creating Success from Opportunity

As the broadcasting industry faces rapid technological advances, broader digital and high-definition offerings, consumer choice and increased competition, we find ourselves in a period of unprecendented excitement and change.

It is this kind of environment, however, in which Astral thrives. Since its inception 42 years ago as a photographic concession in a department store, Astral has demonstrated an unwavering ability to identify and seize growth opportunities, and to lead with vision in climates of change.

One particular area where Astral excels is in providing high quality, innovative and creative product offerings. This is due in large part to the expertise and versatility of our people, the best talent in the industry. Their commitment and love for what they do has allowed us to deliver very popular products along with excellent financial results on a consistent basis. With scores of awards in the areas of programming, design and marketing, we have clearly not sacrificed quality or creativity for performance.

It has been said that true synergy is the art of multiplication, not addition. This aptly describes the situation at Astral. Our individually successful brands are increasingly working together to leverage shared resources and improve performance. We are also committed to building the Astral Media brand among consumers and advertisers as the industry's most able provider of *entertainment for **your** world.*

Solid Outlook for 2004

A look into next year brings more excitement about our business prospects and the opportunities that lie ahead.

Our premium and specialty television networks will continue to deliver compelling content while riding the growth wave in digital cable and satellite services. We therefore envision further growth in both subscriber and advertising revenues. Moreover, the introduction of subscription video-on-demand in 2004 will provide pay-TV subscribers greater choice and flexibility, and will add to the attractiveness of our offering.

Radio operations are poised for further gains in market share while high ratings will continue to lure advertisers. Moreover, operations will benefit from the continued integration of the stations acquired from Telemedia. At the end of the fiscal year, we struck an agreement to sell our Québec AM assets and CFOM-FM, fulfilling regulatory requirements. The sale, subject to CRTC approval, is expected to close in Fiscal 2004.

Outdoor Advertising is expected to carry its momentum into the new year with sustained sales efforts based on value-added products and creative superiority.

The promising outlook for each of our business units positions us well to grow EBITDA and net earnings from continuing operations by approximately 12% to 15% in Fiscal 2004.

While future growth is by no means contingent on acquisitions, we will continue to evaluate potential transactions that would allow us to strengthen our position in our core businesses. Given our healthy cash flows and the industry's strongest balance sheet, we have the resources and flexibility to act quickly on these and other business opportunities.

In closing, we would like to thank all those who have helped to make our success a reality. We extend our deep appreciation to all our employees in Television, Radio, Outdoor Advertising and our Corporate group for their hard work throughout the year. And, we would also like to thank the Board of Directors for their continued guidance and support.

Astral has never been better positioned to thrill audiences, attract new subscribers and advertising customers, and reward its shareholders.

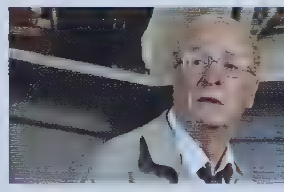
Ian Greenberg
President and
Chief Executive Officer

André Bureau
Chairman of the Board

October 24, 2003

Format: Max
Astral Media Outdoor

The Statement
Norman Jewison (Director)
Robert Lantos (Producer)
Equity Investment Program
The Harold Greenberg Fund



Six Feet Under
The Movie Network

television

Our Television Group delivered strong performance across the board in Fiscal 2003. Focusing on evergreen niches like movies, music, drama series, youth programming as well as documentaries, and carrying some of the most popular programming on television today, Astral's pay, pay-per-view and specialty networks continue to attract key consumer demographics. As a result, our television brands are among the most recognized and appreciated by Canadian viewers.

Our television networks were highly successful in achieving two key objectives in Fiscal 2003, namely maximizing revenue growth in a digital environment and building the appeal of our brands.

Pay Television

Astral's pay services continued to grow in Fiscal 2003, further solidifying our position as Canada's largest operator of pay and pay-per-view services. Overall subscriber levels for our pay networks – The Movie Network and Super Écran – rose 12% in the last year to 1.3 million subscribers, driven by continuing growth in the digital cable and satellite markets.

Strong brands and the best in programming have meant spectacular success in terms of viewership for The Movie Network and Super Écran. In fact, in Fiscal 2003, The Movie Network was the number three Canadian pay or specialty service in Eastern Canada, moving up to the number one spot among the 18-34 and 35-49 age groups. And, Super Écran was the number one pay or specialty service in Québec among audiences aged 2+, as well as with its key audience groups, 18-34 and 35-49. This performance is particularly impressive considering neither service is part of basic or extended basic tier packages.

All of our pay services continued to emphasize award-winning and popular programming such as the eagerly-awaited new seasons of HBO's *The Sopranos* and *Six Feet Under* and other hit shows like *Napoléon* and *Les Liaisons dangereuses*. The Movie Network and Super Écran programming earned a record 85 nominations for the 55th Emmy® Awards. It is this kind of programming that has made these networks must-haves for discerning television viewers.

In Fiscal 2003, The Movie Network's five multiplex channels were sub-branded to better appeal to key segments of the marketplace. Each channel now has a distinct personality – M, MFun!, MExcess, MEscape and MFest – making them more relevant to specific niches within our existing and potential subscriber bases. Moviepix was also sub-branded to Mpix and

your family...

television

Joe Tedesco
Vice-President and General Manager,
Family

Kevin Wright
Senior Vice-President,
Programming,
Astral Television Networks

John Riley
President,
Astral Television Networks,
Astral Télé Réseaux

With record advertising revenues and strong subscriber growth, Fiscal 2003 was an extremely successful year for our pay, pay-per-view and specialty television networks. Our ability to consistently deliver compelling programming to consumers and targeted opportunities to advertisers has secured our position as one of the largest and most respected operators of premium and specialty networks in Canadian television

Our Television Group delivered strong performance across the board in Fiscal 2003. Focusing on evergreen niches like movies, music, drama series, youth programming as well as documentaries, and carrying some of the most popular programming on television today, Astral's pay, pay-per-view and specialty networks continue to attract key consumer demographics. As a result, our television brands are among the most recognized and appreciated by Canadian viewers.

Our television networks were highly successful in achieving two key objectives in Fiscal 2003, namely maximizing revenue growth in a digital environment and building the appeal of our brands.

Pay Television

Astral's pay services continued to grow in Fiscal 2003, further solidifying our position as Canada's largest operator of pay and pay-per-view services. Overall subscriber levels for our pay networks – The Movie Network and Super Écran – rose 12% in the last year to 1.3 million subscribers, driven by continuing growth in the digital cable and satellite markets.

Strong brands and the best in programming have meant spectacular success in terms of viewership for The Movie Network and Super Écran. In fact, in Fiscal 2003, The Movie Network was the number three Canadian pay or specialty service in Eastern Canada, moving up to the number one spot among the 18-34 and 35-49 age groups. And, Super Écran was the number one pay or specialty service in Québec among audiences aged 2+, as well as with its key audience groups, 18-34 and 35-49. This performance is particularly impressive considering neither service is part of basic or extended basic tier packages.

All of our pay services continued to emphasize award-winning and popular programming such as the eagerly-awaited new seasons of HBO's *The Sopranos* and *Six Feet Under* and other hit shows like *Napoléon* and *Les Liaisons dangereuses*. The Movie Network and Super Écran programming earned a record 85 nominations for the 55th Emmy® Awards. It is this kind of programming that has made these networks must-haves for discerning television viewers.

In Fiscal 2003, The Movie Network's five multiplex channels were sub-branded to better appeal to key segments of the marketplace. Each channel now has a distinct personality – M, MFun!, MExcess, MEscape and MFest – making them more relevant to specific niches within our existing and potential subscriber bases. Moviepix was also sub-branded to Mpix and

The Movie Network

The Movie Network provides Eastern Canada with the best in premier entertainment with five channels offering an experience suited to every lifestyle. M, MFun!, MExcess, MEscape, and MFest are The Movie Network's 24-hour, commercial-free pay-television channels broadcasting major studio movies, exclusive series, special presentations, and original programming from Canada and abroad.
www.themovienetwork.ca

Super Écran

Super Écran is North-America's only French-language pay-television network offering first-run movies, exclusive series and variety shows on four 24-hour channels, uncut and commercial free.
www.superecran.com

Mpix

Mpix is where great movies live forever. Mpix is a 24-hour pay television network with an additional time-shifted channel: Mpix2. Through the innovative programming of specials and spotlights, film lovers in Eastern Canada are able to enjoy movie gems from every era.
www.mpix.ca

television

Domenic Vivolo
Senior Vice-President,
Marketing and Sales,
Astral Television Networks

Johanne Saint-Laurent
Vice-President and General Manager,
Astral Télé Réseaux, and
Senior Vice-President,
Finance and Business Affairs,
Les Chaînes Télé Astral

John Pow
Vice-President,
Finance,
Astral Television Networks,
Astral Télé Réseaux

With record advertising revenues and strong subscriber growth, Fiscal 2003 was an extremely successful year for our pay, pay-per-view and specialty television networks. Our ability to consistently deliver compelling programming to consumers and targeted opportunities to advertisers has secured our position as one of the largest and most respected operators of premium and specialty networks in Canadian television.

Our Television Group delivered strong performance across the board in Fiscal 2003. Focusing on evergreen niches like movies, music, drama series, youth programming as well as documentaries, and carrying some of the most popular programming on television today, Astral's pay, pay-per-view and specialty networks continue to attract key consumer demographics. As a result, our television brands are among the most recognized and appreciated by Canadian viewers.

Our television networks were highly successful in achieving two key objectives in Fiscal 2003, namely maximizing revenue growth in a digital environment and building the appeal of our brands.

Pay Television

Astral's pay services continued to grow in Fiscal 2003, further solidifying our position as Canada's largest operator of pay and pay-per-view services. Overall subscriber levels for our pay networks – The Movie Network and Super Écran – rose 12% in the last year to 1.3 million subscribers, driven by continuing growth in the digital cable and satellite markets.

Strong brands and the best in programming have meant spectacular success in terms of viewership for The Movie Network and Super Écran. In fact, in Fiscal 2003, The Movie Network was the number three Canadian pay or specialty service in Eastern Canada, moving up to the number one spot among the 18-34 and 35-49 age groups. And, Super Écran was the number one pay or specialty service in Québec among audiences aged 2+, as well as with its key audience groups, 18-34 and 35-49. This performance is particularly impressive considering neither service is part of basic or extended basic tier packages.

All of our pay services continued to emphasize award-winning and popular programming such as the eagerly-awaited new seasons of HBO's *The Sopranos* and *Six Feet Under* and other hit shows like *Napoléon* and *Les Liaisons dangereuses.* The Movie Network and Super Écran programming earned a record 85 nominations for the 55th Emmy® Awards. It is this kind of programming that has made these networks must-haves for discerning television viewers.

In Fiscal 2003, The Movie Network's five multiplex channels were sub-branded to better appeal to key segments of the marketplace. Each channel now has a distinct personality – M, MFun!, MExcess, MEscape and MFest – making them more relevant to specific niches within our existing and potential subscriber bases. Moviepix was also sub-branded to Mpix and

family

Viewer's Choice Pay Per View

Indigo

Family

Family Channel is a premium, commercial-free network offering the best in family television entertainment in more than 4.5 million homes across Canada. Dedicated to celebrating family life and providing a fun experience for all, Family airs a unique mix of series, movies and specials, with a large portion of programming supplied by Disney.
www.family.ca

Viewer's Choice

Viewer's Choice Canada offers convenient, commercial-free, in-home viewing of hit movies, live championship sporting events, concerts and many other exclusive events on an à-la-carte basis across Eastern Canada. Viewer's Choice Pay Per View offers 46 channels of near video-on-demand programming available 24 hours a day. Astral Media owns 50.1% and is the managing shareholder of Viewer's Choice Canada.
www.viewerschoice.ca

Canal Indigo

Canal Indigo, the French-language national pay-per-view network, offers viewers a wide range of commercial-free hit movies, unique sporting events and entertainment on an à-la-carte basis. Canal Indigo offers 40+ channels of near video-on-demand programming available 24 hours a day for maximum choice and convenience. Viewer's Choice Canada owns 40% of Canal Indigo and is the largest shareholder and managing partner of Canal Indigo.
www.canalindigo.com

television

Judith Brosseau
Senior Vice-President,
Programming and Communications,
Canal D, Historia and Séries+,
Les Chaînes Télé Astral

Pierre Roy
President,
Les Chaînes Télé Astral

Marie Collin
Senior Vice-President,
Programming and Communications,
Canal Vie, Z and VRAK.TV,
Les Chaînes Télé Astral

Johanne Saint-Laurent
Senior Vice-President
Finance and Business Affairs,
Les Chaînes Télé Astral, and
Vice President, General Manager,
Astral Télé Réseaux

With record advertising revenues and strong subscriber growth, Fiscal 2003 was an extremely successful year for our pay, pay-per-view and specialty television networks. Our ability to consistently deliver compelling programming to consumers and targeted opportunities to advertisers has secured our position as one of the largest and most respected operators of premium and specialty networks in Canadian television.

Our Television Group delivered strong performance across the board in Fiscal 2003. Focusing on evergreen niches like movies, music, drama series, youth programming as well as documentaries, and carrying some of the most popular programming on television today, Astral's pay, pay-per-view and specialty networks continue to attract key consumer demographics. As a result, our television brands are among the most recognized and appreciated by Canadian viewers.

Our television networks were highly successful in achieving two key objectives in Fiscal 2003, namely maximizing revenue growth in a digital environment and building the appeal of our brands.

Pay Television

Astral's pay services continued to grow in Fiscal 2003, further solidifying our position as Canada's largest operator of pay and pay-per-view services. Overall subscriber levels for our pay networks – The Movie Network and Super Écran – rose 12% in the last year to 1.3 million subscribers, driven by continuing growth in the digital cable and satellite markets.

Strong brands and the best in programming have meant spectacular success in terms of viewership for The Movie Network and Super Écran. In fact, in Fiscal 2003, The Movie Network was the number three Canadian pay or specialty service in Eastern Canada, moving up to the number one spot among the 18-34 and 35-49 age groups. And, Super Écran was the number one pay or specialty service in Québec among audiences aged 2+, as well as with its key audience groups, 18-34 and 35-49. This performance is particularly impressive considering neither service is part of basic or extended basic tier packages.

All of our pay services continued to emphasize award-winning and popular programming such as the eagerly-awaited new seasons of HBO's *The Sopranos* and *Six Feet Under* and other hit shows like *Napoléon* and *Les Liaisons dangereuses.* The Movie Network and Super Écran programming earned a record 85 nominations for the 55th Emmy® Awards. It is this kind of programming that has made these networks must-haves for discerning television viewers.

In Fiscal 2003, The Movie Network's five multiplex channels were sub-branded to better appeal to key segments of the marketplace. Each channel now has a distinct personality – M, MFun!, MExcess, MEscape and MFest – making them more relevant to specific niches within our existing and potential subscriber bases. Moviepix was also sub-branded to Mpix and

Canal D

Featuring dynamic and entertaining documentary programming, Canal D has maintained its position as the specialty channel with the largest weekly audience. With an average reach of more than 2.5 million viewers, Canal D presents fascinating documentaries on the latest discoveries, along with comedy and a large repertoire of movies.
www.canald.com

Canal Vie

Six years after it was launched, Canal Vie is now the most popular specialty channel among French-speaking women in Québec, and its listenership continues to grow. The success of Canal Vie's programming attests to its strong audience appeal. Recognized as the network for women, Canal Vie will go even further this year with what it considers to be its fundamental mission: providing relevant and authentic programming that connects with its viewers.
www.canalvie.com

television

VRAK.TV

In only four years, VRAK.TV has become the top-rated French-language channel among 2- to 14-year-olds and teens. Again this year, VRAK.TV asserted its leadership as the most popular kids' channel on the air, including conventional networks. Fresh, topical, lively and interactive, VRAK.TV presents varied programming that includes cartoons, sitcoms, original made-in-Québec productions and dramatic series.
www.vrak.tv

Z

Innovative and rigorous, dynamic and original, Z opens up the fascinating and burgeoning ways of the future. Fiction at its best, captivating images, daring and surprising shows aimed at meeting the high expectations of its audiences, Z is the "television of the future to its extreme". Appealing to a primarily male audience (67%, aged 18-49), Z is continuing to present its popular technology magazine shows, with the addition of new features.
www.ztele.com

With record advertising revenues and strong subscriber growth, Fiscal 2003 was an extremely successful year for our pay, pay-per-view and specialty television networks. Our ability to consistently deliver compelling programming to consumers and targeted opportunities to advertisers has secured our position as one of the largest and most respected operators of premium and specialty networks in Canadian television

Our Television Group delivered strong performance across the board in Fiscal 2003. Focusing on evergreen niches like movies, music, drama series, youth programming as well as documentaries, and carrying some of the most popular programming on television today, Astral's pay, pay-per-view and specialty networks continue to attract key consumer demographics. As a result, our television brands are among the most recognized and appreciated by Canadian viewers.

Our television networks were highly successful in achieving two key objectives in Fiscal 2003, namely maximizing revenue growth in a digital environment and building the appeal of our brands.

Pay Television

Astral's pay services continued to grow in Fiscal 2003, further solidifying our position as Canada's largest operator of pay and pay-per-view services. Overall subscriber levels for our pay networks – The Movie Network and Super Écran – rose 12% in the last year to 1.3 million subscribers, driven by continuing growth in the digital cable and satellite markets.

Strong brands and the best in programming have meant spectacular success in terms of viewership for The Movie Network and Super Écran. In fact, in Fiscal 2003, The Movie Network was the number three Canadian pay or specialty service in Eastern Canada, moving up to the number one spot among the 18-34 and 35-49 age groups. And, Super Écran was the number one pay or specialty service in Québec among audiences aged 2+, as well as with its key audience groups, 18-34 and 35-49. This performance is particularly impressive considering neither service is part of basic or extended basic tier packages.

All of our pay services continued to emphasize award-winning and popular programming such as the eagerly-awaited new seasons of HBO's *The Sopranos* and *Six Feet Under* and other hit shows like *Napoléon* and *Les Liaisons dangereuses.* The Movie Network and Super Écran programming earned a record 85 nominations for the 55th Emmy® Awards. It is this kind of programming that has made these networks must-haves for discerning television viewers.

In Fiscal 2003, The Movie Network's five multiplex channels were sub-branded to better appeal to key segments of the marketplace. Each channel now has a distinct personality – M, MFun!, MExcess, MEscape and MFest – making them more relevant to specific niches within our existing and potential subscriber bases. Moviepix was also sub-branded to Mpix and

Historia

With an 80% rating increase in Fiscal 2003, Historia continues to be popular with viewers for its resolutely contemporary programming. Historia combines the pleasure of learning with the thrill of discovering our past. It tells the stories of people, places, institutions, holidays and traditions by presenting the latest in original productions, including the series *Made in Québec*, which promises to be a success in the coming fiscal year. Astral Media owns 50% of Historia.
www.historiatv.com

Séries+

With an increase of 83%, Séries+ practically doubled its market share among its target audience (women aged 25-54) in Fiscal 2003. The only channel devoted exclusively to works of fiction, Séries+ presents the cream of the crop in programming from both home and abroad. Its adult viewers appreciate the series, mini-series and made-for-TV movies, with stories from the heart 24 hours a day. Featuring shows with strong emotions and the sheer pleasure of escape, Séries+ is television that packs an emotional punch! Astral Media owns 50% of Séries+.
www.seriesplus.com

television

Len Cochrane
President,
TELETOON

Bernard Dumais
Senior Vice-President,
Operations,
MusiquePlus and MusiMax

Pierre Marchand
Vice-President and General Manager,
MusiquePlus and MusiMax

With record advertising revenues and strong subscriber growth, Fiscal 2003 was an extremely successful year for our pay, pay-per-view and specialty television networks. Our ability to consistently deliver compelling programming to consumers and targeted opportunities to advertisers has secured our position as one of the largest and most respected operators of premium and specialty networks in Canadian television

Our Television Group delivered strong performance across the board in Fiscal 2003. Focusing on evergreen niches like movies, music, drama series, youth programming as well as documentaries, and carrying some of the most popular programming on television today, Astral's pay, pay-per-view and specialty networks continue to attract key consumer demographics. As a result, our television brands are among the most recognized and appreciated by Canadian viewers.

Our television networks were highly successful in achieving two key objectives in Fiscal 2003, namely maximizing revenue growth in a digital environment and building the appeal of our brands.

Pay Television

Astral's pay services continued to grow in Fiscal 2003, further solidifying our position as Canada's largest operator of pay and pay-per-view services. Overall subscriber levels for our pay networks – The Movie Network and Super Écran – rose 12% in the last year to 1.3 million subscribers, driven by continuing growth in the digital cable and satellite markets.

Strong brands and the best in programming have meant spectacular success in terms of viewership for The Movie Network and Super Écran. In fact, in Fiscal 2003, The Movie Network was the number three Canadian pay or specialty service in Eastern Canada, moving up to the number one spot among the 18-34 and 35-49 age groups. And, Super Écran was the number one pay or specialty service in Québec among audiences aged 2+, as well as with its key audience groups, 18-34 and 35-49. This performance is particularly impressive considering neither service is part of basic or extended basic tier packages.

All of our pay services continued to emphasize award-winning and popular programming such as the eagerly-awaited new seasons of HBO's *The Sopranos* and *Six Feet Under* and other hit shows like *Napoléon* and *Les Liaisons dangereuses*. The Movie Network and Super Écran programming earned a record 85 nominations for the 55th Emmy® Awards. It is this kind of programming that has made these networks must-haves for discerning television viewers.

In Fiscal 2003, The Movie Network's five multiplex channels were sub-branded to better appeal to key segments of the marketplace. Each channel now has a distinct personality – M, MFun!, MExcess, MEscape and MFest – making them more relevant to specific niches within our existing and potential subscriber bases. Moviepix was also sub-branded to Mpix and

MusiquePlus

With its hip and colourful street-front location in the heart of downtown Montréal, MusiquePlus presents a continuous showcase of music and special events, reflecting the diversity of the urban life that surrounds it. MusiquePlus has been a trendsetter in pop music culture since 1986. Through the magic of live television, Québec's most lively channel offers a host of exciting and innovative events: performances by local and international stars, exclusive interviews, shows, intimate concerts, arts reports, scoops and much more. MusiquePlus rocks you with today's rhythms. It's TV entertainment reinvented! Astral Media owns 50% of MusiquePlus.
www.musiqueplus.com

MusiMax

MusiMax transports viewers into the world of pop music 24 hours a day, with scoops and exclusives, videos, behind-the-scenes reports, concerts and documentaries that resonate with the sounds of adult pop, contemporary, oldies, rock, soul and R&B, etc. MusiMax also supports the Québec music scene by presenting exclusive concerts by local artists and documentaries on the life and career of idols past and present as well as feeding our fascination with artists from the 1960s, 70s and 80s, with shows like *Génération 80* and *Michèle Richard*. Astral Media owns 50% of MusiMax.
www.musimax.com

TELETOON

TELETOON is proud to have become one of the most high profile and recognized brands in specialty television. Since 1997, TELETOON has been serving up an unreal blend of classic cartoons and brand new animation from Canada and around the world, in both English and French, 24 hours a day! No wonder we've become a favourite destination for Canadian kids from coast to coast, as well as grabbing our fair share of non-kid viewers. Our lineup is fun, engaging and unreal, but we take the Canadian animation industry seriously, with 60% Canadian programming and 40% of our gross revenues going to support Canada's animation production industry. Astral Media owns 40% of TELETOON.
www.teletoon.com

television

Claude Lizotte
Vice-President,
Sales and Marketing,
Astral Media Plus

Michèle Labarre
General Manager,
Astral Media Mix

With record advertising revenues and strong subscriber growth, Fiscal 2003 was an extremely successful year for our pay, pay-per-view and specialty television networks. Our ability to consistently deliver compelling programming to consumers and targeted opportunities to advertisers has secured our position as one of the largest and most respected operators of premium and specialty networks in Canadian television.

Our Television Group delivered strong performance across the board in Fiscal 2003. Focusing on evergreen niches like movies, music, drama series, youth programming as well as documentaries, and carrying some of the most popular programming on television today, Astral's pay, pay-per-view and specialty networks continue to attract key consumer demographics. As a result, our television brands are among the most recognized and appreciated by Canadian viewers.

Our television networks were highly successful in achieving two key objectives in Fiscal 2003, namely maximizing revenue growth in a digital environment and building the appeal of our brands.

Pay Television

Astral's pay services continued to grow in Fiscal 2003, further solidifying our position as Canada's largest operator of pay and pay-per-view services. Overall subscriber levels for our pay networks – The Movie Network and Super Écran – rose 12% in the last year to 1.3 million subscribers, driven by continuing growth in the digital cable and satellite markets.

Strong brands and the best in programming have meant spectacular success in terms of viewership for The Movie Network and Super Écran. In fact, in Fiscal 2003, The Movie Network was the number three Canadian pay or specialty service in Eastern Canada, moving up to the number one spot among the 18-34 and 35-49 age groups. And, Super Écran was the number one pay or specialty service in Québec among audiences aged 2+, as well as with its key audience groups, 18-34 and 35-49. This performance is particularly impressive considering neither service is part of basic or extended basic tier packages.

All of our pay services continued to emphasize award-winning and popular programming such as the eagerly-awaited new seasons of HBO's *The Sopranos* and *Six Feet Under* and other hit shows like *Napoléon* and *Les Liaisons dangereuses.* The Movie Network and Super Écran programming earned a record 85 nominations for the 55th Emmy® Awards. It is this kind of programming that has made these networks must-haves for discerning television viewers.

In Fiscal 2003, The Movie Network's five multiplex channels were sub-branded to better appeal to key segments of the marketplace. Each channel now has a distinct personality – M, MFun!, MExcess, MEscape and MFest – making them more relevant to specific niches within our existing and potential subscriber bases. Moviepix was also sub-branded to Mpix and

Astral Media TVPlus

Astral Media Mix

Astral Media TVPlus

Astral Media TVPlus is an advertising rep house that focuses exclusively on advertising sales for specialty channels in the French- and English-language markets. It represents Astral Media's French-language networks – Canal Vie, Canal D, Z, Historia, Séries+, TÉLÉTOON, MusiquePlus and MusiMax. Astral Media TVPlus also represents a number of English-language networks in Québec, including TELETOON, Life Network, Food Network, HGTV, History Television, Showcase, CMT, YTV, W and The Score. Among the 31 networks that Astral Media TVPlus represents are 13 new digital channels. www.astralmediatvplus.com

Astral Media Mix

Astral Media Mix's mission is to create, develop and produce business projects that draw on the synergies among Astral Media's various media properties and generate new revenues through unique, creative concepts and solutions. Astral Media's complementary specialty television, radio and outdoor media platforms offer advertisers an efficient and effective way of reaching all of their target audiences with a streamlined campaign. Focusing on the real needs of the advertising market, Astral Media Mix is unique in offering a team that is totally dedicated to developing projects especially for the Québec market.

With offices in Montréal and Toronto, Astral Media Mix successfully completed 24 projects in Fiscal 2003, each of which attained or surpassed its objectives.

television

... your family

Pay Television

Our Television Group delivered strong performance across the board in Fiscal 2003. Focusing on evergreen niches like movies, music, drama series, youth programming as well as documentaries, and carrying some of the most popular programming on television today, Astral's pay, pay-per-view and specialty networks continue to attract key consumer demographics. As a result, our television brands are among the most recognized and appreciated by Canadian viewers.

Our television networks were highly successful in achieving two key objectives in Fiscal 2003, namely maximizing revenue growth in a digital environment and building the appeal of our brands.

Astral's pay services continued to grow in Fiscal 2003, further solidifying our position as Canada's largest operator of pay and pay-per-view services. Overall subscriber levels for our pay networks – The Movie Network and Super Écran – rose 12% in the last year to 1.3 million subscribers, driven by continuing growth in the digital cable and satellite markets.

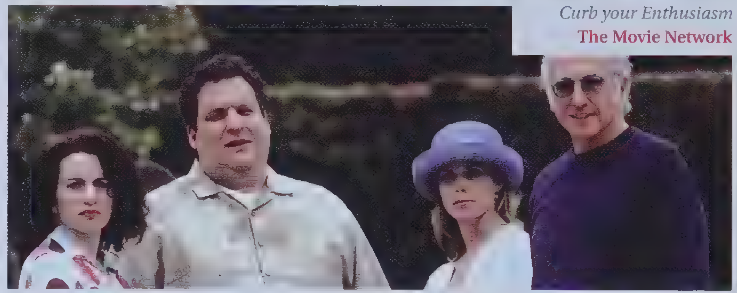
Strong brands and the best in programming have meant spectacular success in terms of viewership for The Movie Network and Super Écran. In fact, in Fiscal 2003, The Movie Network was the number three Canadian pay or specialty service in Eastern Canada, moving up to the number one spot among the 18-34 and 35-49 age groups. And, Super Écran was the number one pay or specialty service in Québec among audiences aged 2+, as well as with its key audience groups, 18-34 and 35-49. This performance is particularly impressive considering neither service is part of basic or extended basic tier packages.

All of our pay services continued to emphasize award-winning and popular programming such as the eagerly-awaited new seasons of HBO's *The Sopranos* and *Six Feet Under* and other hit shows like *Napoléon* and *Les Liaisons dangereuses*. The Movie Network and Super Écran programming earned a record 85 nominations for the 55th Emmy® Awards. It is this kind of programming that has made these networks must-haves for discerning television viewers.

In Fiscal 2003, The Movie Network's five multiplex channels were sub-branded to better appeal to key segments of the marketplace. Each channel now has a distinct personality – M, MFun!, MExcess, MEscape and MFest – making them more relevant to specific niches within our existing and potential subscriber bases. Moviepix was also sub-branded to Mpix and

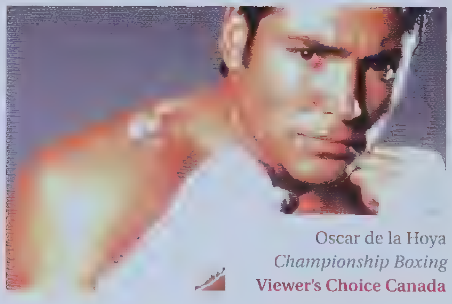
Napoléon
Super Écran

Raging Bull
Mpix



Curb your Enthusiasm
The Movie Network

Les Galas Loto-Québec Juste pour rire
Canal Indigo



Oscar de la Hoya
Championship Boxing
Viewer's Choice Canada

brought under The Movie Network's umbrella, enabling us to send one clear message to the consumer – *The Movie Network has it all.*

Our pay-TV strategy for Fiscal 2004 is focused on building the appeal of our products as well as developing new revenue streams to continue to grow our profitability. On the product side, we will continue to refine the sub-branding of our multiplex channels. We are also working to launch a new pay product, subscription-video-on-demand (SVOD), starting first with The Movie Network. SVOD will greatly enhance the appeal of our offering, allowing subscribers to watch programming from our library with VCR-like convenience. We are also determined to remain a leader in providing quality entertainment experiences to our viewers, including the steady expansion of our HDTV product.

Pay-Per-View

Viewer's Choice and Canal Indigo's pay-per-view customers continued to benefit from over 40 channels of sports, hit movies and special events. Viewer's Choice and Canal Indigo each represent the largest English and French pay-per-view offering in North America. Taking this fact to heart, during the year, we developed an exciting new brand positioning for Viewer's Choice – *See it All* – aimed at building loyalty and awareness among current and potential viewers.

Looking ahead, we expect our expansive pay-per-view offering to attract new customers and to increase buy rates among existing users.

Specialty Television

Overall advertising revenues for our specialty networks rose 33%, an exceptional feat in a crowded and competitive television market. Individually, each of our specialty channels experienced considerable success within their niche markets in Fiscal 2003.

French-language Specialty

Astral's French-language networks are a large and growing part of the cultural landscape in Québec. While enjoying strong market share, our French-language networks also demonstrated their commitment to original programming by investing more than $28 million in French-language Canadian productions in Fiscal 2003. The quality of our programming – both original productions and acquisitions – was recognized this year with a number of industry prizes and distinctions – notably Gemini and Gold Ribbon Awards.

Our more established networks continue to show impressive growth. Six years after its launch, Canal Vie continues to enjoy the highest awareness of any network among women 25-54. The network's *Décore ta vie* and *Métamorphose* met with immediate success and have further driven loyalty and viewership to new levels. Canal D remains the ultimate source for exciting discoveries, pulling in 2.5 million viewers each week from multiple viewing demographics, particularly its target audience of men 25-54. VRAK.TV, meanwhile, remains the most popular French-language network – including conventional networks – among viewers 2-14. It features a variety of programming including animation, sitcoms and shows such as *Phénomia* and *MixMania*, which had a phenomenal success garnering 60% of the 9-14 viewing audience.

Collectively, Canal Vie, Canal D, VRAK.TV, Historia, Séries+ and Z, recorded a 16% increase in audience share over last year compared with only 10% recorded for other specialty networks.

The individual accomplishments of our newer networks, launched in 2000, were equally impressive. Historia experienced its best year ever with an astounding 80% increase in audience share. Research has also demonstrated that Historia is the network most frequently cited as a reason to subscribe to its tier. Z, our network for sci-fi and

Décore ta vie
Canal Vie

Trouvailles et trésors
Historia

Chasseur de crocodiles
Canal D

Phénomia
VRAK.TV

technology buffs is also very popular, helped along by its flagship program *La revanche des nerdZ*, whose audience rocketed 72% in the last year. With original Québec productions such as *Hommes en quarantaine* and *Le petit monde de Laura Cadieux*, Séries+ continues to lay claim to one of the most loyal audiences in specialty television. Launched in 2000, Séries+ is now viewed in 50% of households with cable or satellite in Québec.

MusiquePlus and MusiMax remained at the vanguard of the Québec music scene thanks to hip and original content unmatched anywhere else. MusiquePlus further cemented its position as a perennial trendsetter in French Canada by recording audience gains in both its target audiences of 12-17 and 18-24 year olds. Meanwhile, sister station MusiMax's programming grid, consisting of current and classic music, movies and fashion, led to a stellar 60% increase in advertising revenues while reinforcing its position with the 25-54 crowd.

English-language Specialty

Family set another viewership record in 2003, living up to its new tagline, *Never a Dull Moment*. Commercial-free, family-oriented programming such as the immensely popular *The Amanda Show* and Disney's *Lizzie McGuire*, have helped to make Family the number one network for girls and the number two network for boys aged 9-14. Building on the strength of its brand, new brand extensions, sponsorship opportunities and strategic partnerships bode well for Family's continued growth.

TELETOON once again reinforced its position among the most recognized and profitable brands in Canadian television. Last year, the network was the fifth-largest generator of advertising revenues in the Canadian specialty television universe. For the sixth year in a row, TELETOON's English service maintained its position as the third most popular specialty network overall. Meanwhile, the French-language version remained the number one French specialty network among kids 2-11, while gaining significant traction with other demographics including the teen market. A wealth of branded and co-branded initiatives, including CDs, magazines and contests, are fortifying the TELETOON brand and its appeal to viewers and advertisers alike.

Our internal advertising rep house, Astral Media TVPlus, had a spectacular year. Representing 31 French and English specialty networks in Québec, Astral Media TVPlus increased its sales by 56% over last year, as compared with 16% growth recorded for the total market for specialty television advertising in Canada.

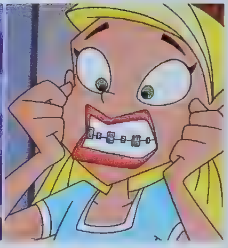
Looking Ahead

Our vision for the next year is focused on building the appeal of our products through branding and marketing initiatives aimed at further aligning our offerings with customer needs. Cross-promotion initiatives with other Astral Media properties will continue to be a focus, allowing us to take advantage of opportunities for synergies across the Company. Also central to our growth strategy is ongoing work with regulators, distributors and other industry participants to ensure that Astral Media will continue to play an important role in a strong and vibrant Canadian broadcasting system.

Our television properties are well positioned for growth as viewers increasingly tune into our targeted networks in search of rich and relevant content, and advertisers move more of their spending from conventional to specialty television in search of those very consumers.

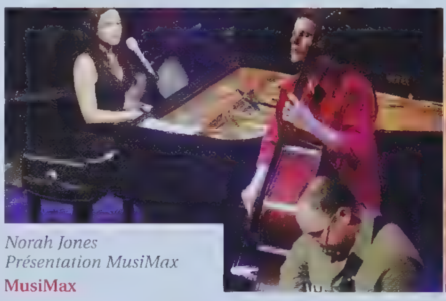
Comment c'est fait
Z

Lizzie McGuire
Family



Braceface
TELETOON

Hommes en quarantaine
Séries+



Norah Jones
Présentation MusiMax
MusiMax

Les Osbourne
MusiquePlus

radio

Fiscal 2003 was a spectacular year for Astral Media Radio. The successful acquisition and integration of Telemedia Corporation's radio assets in Québec and the Maritimes strengthened and diversified our operations, propelling Astral to the top tier of Canadian radio operators, with annual revenues now approaching $100 million. This acquisition, coupled with superior programming and execution led to a twofold increase in overall revenue. Organic revenue growth of 15% outpaced the national radio industry average of 6% while the Radio Group's operating margin also rose significantly to 31% in Fiscal 2003 from 24% last year.

With 24 stations owned and operated, Astral Media Radio is the largest radio broadcaster in Québec and, with our eight stations in New Brunswick and Nova Scotia, amongst the largest in Canada.

In Québec, our two complementary music networks – **Énergie** and **RADIO RockDétente** – deliver the critical 18-34 and 25-49 demographics to advertisers. Building on our mission to revitalize music radio in Québec, we also rebranded two FM stations, forming a new musical network called **Boom fm** for listeners aged 40+. Astral now fills the airwaves with three complementary networks covering the musical spectrum and catering to all age groups and preferences.

Sophisticated research and the determined efforts of our talented radio team allow us to deliver programming perfectly tailored to the needs of our listeners. In the Spring 2003 BBM surveys, our networks accounted for seven of the 10 most popular programmes in Québec.

The Énergie network increased listenership by more than 2 million hours, thanks to unique and popular programming at each of its stations, with comedy programs such as *Les Grandes Gueules*, recipient of a Gold Ribbon Award for the third consecutive year. The arrival of star humourist François Pérusse with his *2 minutes du peuple* also helped to drive listenership to new levels.

RADIO RockDétente's new musical repertoire connects with listeners emotionally, building brand loyalty. The addition of an industry powerhouse in Québec and Europe, Josélito Michaud, to the weekday lunchtime slot has further strengthened RADIO RockDétente's hold on its target audience.

Our six FM and two AM radio stations in the Maritimes also performed well. These stations have firmly established our presence in the Atlantic Provinces where we are now positioned for further expansion.

The integration of stations acquired from Telemedia has been an unqualified success. The consolidation of the majority of our Québec radio operations is resulting in cost savings and organizational synergies. At the end of the fiscal year, we agreed to sell our Québec AM assets and CFOM-FM in Quebec City to the Morin-Chamberland business venture. Closing of the sale, subject to regulatory approvals, should occur in Fiscal 2004.

Our classified advertising service, Télé-Annonces, is benefiting from successful rebranding and greater availability on digital cable. The only service of its kind in Québec that is broadcast on both television and the Internet, it is also the largest digital provider of classified ads in Canada.

We expect that continued investments in our people, programming and processes, as well as branding and operational synergies, will lead to further increases in market share, brand awareness, advertising revenues and profitability in Fiscal 2004.

your source...

outdoor advertising

AMO displayed great resilience by bouncing back in the latter part of an otherwise challenging year. Its creative strategies to drive top and bottom line performance were ultimately rewarded, as a solid fourth quarter helped to increase EBITDA by 11% year-over-year.

Consolidating Our Position in Key Markets

During the year, AMO registered a net addition of 198 new faces in key cities, raising its total to approximately 3,500 signs nationwide. Our position in the province of Québec was strengthened with 68 new signs in the Montreal area. We also added 108 signs in Toronto. In April 2003, as part of our strategy to focus on our strength in Canada, we sold our interest in an urban furniture project in Cleveland, Ohio.

During the year, we continued to distinguish ourselves among outdoor advertising companies through the strategic location, quality and novel design of our products. Demanding criteria used in selecting locations allows us to maximize our viewing audience. For instance, a 29% increase in the number of horizontal billboards in high-traffic areas in Toronto actually yielded a 40% increase in the number of consumers reached.

Our Signs Set Us Apart

AMO continues to develop the most distinctive sites and signs in the business. In Toronto, where we already operated Canada's largest outdoor advertising surface, we increased our presence by acquiring the operating rights to an even larger 14,000 square-foot mural at the busy downtown intersection of Bay and Adelaide.

We also improved on our superior ability to deliver important targeted markets to advertisers. Already reaching nearly 8 million business travellers and tourists annually at Montréal's Pierre Elliott Trudeau and Mirabel airports, we secured an eight-year concession to manage all the advertising signage at the Jean Lesage International Airport in Quebec City. This further strengthens our ability to reach these critical consumers.

Our aggressive sales and marketing strategy focused on key growth sectors such as the automotive, tourism and media industries. We also capitalized on synergies within the Astral family to heighten our value proposition. For example, working with Astral Media Mix, we participated in an innovative and high-profile campaign for the Toyota Echo, which also included television and radio spots on other Astral properties.

Our strategy for 2004 is based on prudent growth in an increasingly competitive environment. The launch last year of a new website, www.astralmediaoutdoor.com, will help our marketing efforts and serve to highlight our exciting portfolio and creative flair. In addition, our focused sales strategies, diligent development plans and rigorous internal controls will allow us to maximize the performance of our current asset base and optimize our operations.

your friend...

canadian content

In a time where public funding sources are being severely challenged, Astral Media is more than ever committed to the leadership role it plays in supporting the creative and unique talents of the Canadian film, radio and television industries

Astral Media continues to be an important financial supporter of the Canadian film, television and radio industries. Astral proudly showcases all Canadian film productions on its networks, offering considerable visibility to Canadian talent. Also, last year alone, Astral's specialty and pay television networks and radio stations spent over $74 million on the development and purchase of Canadian content, original programming and in support of emerging talent.

Since its creation in 1986, **Astral Media The Harold Greenberg Fund/Le Fonds Harold Greenberg** (The Fund/Le Fonds) has invested over $40 million in supporting over 1,850 Canadian productions at every stage of development. In Fiscal 2003, The Fund/Le Fonds, through its English- and French-language programs, invested over $6 million in Canadian productions.

Of the 214 projects supported this past year, The Fund/Le Fonds has invested in the following noteworthy films: Norman Jewison's *The Statement*, Istvan Szabo's *Being Julia*, *Littoral*, by screenwriter and director Wajdi Mouawad, *Dans l'oeil du chat*, by director Rudy Barichello, and director Émile Gaudreault's *Mambo Italiano*. The anxiously awaited films *Nez Rouge*, by Éric Canuel, and *Falling Angels*, by Scott Smith, which are scheduled to be released later this year, were also supported by The Fund/Le Fonds in 2002.

Astral Media takes great pride in being the largest private source of funding for English- and French-language movies in the country, providing support to thousands of artists, scriptwriters, directors, producers and other professionals of this important industry, to allow them to create works that both reflect and contribute to our sense of national identity.

Astral's French-language services have a long history of nurturing and supporting Canadian French-language independent productions. In Fiscal 2003, Astral's French-language services spent $28 million on programming in a wide range of genres including documentaries, series, children, animation, movies, magazine and music. In fact, Astral's French-language services contribute more than any other conventional French-language broadcaster, public or private, to independently produced Canadian programming.

Astral's English-language pay television services provide support for Canadian English-language movies at every stage of development, from script development, pre-buy commitments, equity investments, licensing fees, exhibition, promotion and preservation. Astral's pay-TV networks are the single largest private investor in Canadian films in Canada.

Astral Media Radio has also been a proud supporter of Canadian radio industry artisans. Since 1999, it has been committed to the continued growth of a vibrant radio industry in Québec, through the purchase of Québec-based programs, support of local artists and with a particular commitment to developing new talent. Each year, Astral Media Radio makes an important contribution of over $1 million towards the production and promotion of Canadian music through two independent, non-profit organizations, *Musicaction* and the *Fonds Radiostar*.

Dans l'oeil du chat
Rudi Barichello (Director)
Equity Investment Program
Le Fonds Harold Greenberg

Littoral
Wajdi Mouawad (Director)
Equity Investment Program
Le Fonds Harold Greenberg

Mambo Italiano
Émile Gaudreault (Director)
Equity Investment Program
The Harold Greenberg Fund

Astral *Media*
The Harold Greenberg Fund
Le Fonds Harold Greenberg

Astral Media The Harold Greenberg Fund/ Le Fonds Harold Greenberg

Astral Media The Harold Greenberg Fund/Le Fonds Harold Greenberg is a national funding organization established to contribute to the production of new, high-calibre Canadian film and television productions while encouraging the emergence of new talents.

our employees

As a company, we are committed to maintaining a dynamic corporate culture and an atmosphere that fosters innovation, quality and creativity. We work hard to attract, develop and retain the most talented professionals in the industry and to offer a positive workplace environment that reflects the Company's core values of performance, integrity, commitment and respect.

At Astral Media, we believe in the value of a strong corporate family. We value independent thinking and strong creative abilities grounded in solid business acumen. We seek to provide an environment where talent thrives and initiative translates into competitive advantage.

Our employees are our ambassadors. Their pride in being part of the Astral family reflects their investment in delivering the type of quality programming and targeted advertising opportunities that consumers and advertisers alike have come to expect from the Astral Media brand. And, with more than 35% of Astral employees having invested in the Company through the Employee Share Purchase Plan, they are also valued shareholders with a vested interest in the Company's success.

We are committed to continuing to foster an enviable work environment, one that supports and develops employees with creative excellence who are committed to delivering *entertainment for **your** world.*

Simon Touzin
Astral Media Outdoor

Marysol Charbonneau and Shawie Taleb
Les Chaînes Télé Astral

Saied Karimi, Tim Hillman, Holly Chapman and Swin Chang
Astral Television Networks, Viewer's Choice Canada, Family

François Beaudry, Sébastien Côté and Isabelle Mayrand
Astral Media Radio

Alain Dassylva
MusiquePlus

corporate governance

At Astral Media, effective corporate governance is one of the Board of Directors' primary concerns. Our system of corporate governance is consistent with the guidelines for improved corporate governance adopted by the Toronto Stock Exchange.

Composition of the Board and its Committees

The proposed slate for the Board of Directors for 2004 consists of 14 nominees, a majority of whom qualify as unrelated directors according to the Toronto Stock Exchange Guidelines. Unrelated directors are independent of the Company's significant shareholder. The Board believes that the majority of unrelated directors ensures effective decision-making and provides objective counsel to management.

Responsibilities of the Board

The Board has an official mandate to supervise, monitor and evaluate the management of the business and affairs of the Company. The Board also reviews, discusses and approves various matters related to the strategic direction, business, operations and organizational structure of the Company with the best interests of the Company and its shareholders in mind.

Board Committees

There are three committees of the Board: the Audit Committee, the Compensation and Human Resources Committee and the Corporate Governance and Nominating Committee. Formal mandates have been adopted for each of these committees, which are composed exclusively of unrelated members of the Board.

Audit Committee

All of the members of the Audit Committee are unrelated, with a high degree of financial expertise. The Audit Committee is mandated with specific roles and responsibilities, which are set out in its charter.

Lead Independent Director

Astral Media's Board of Directors appointed a Lead Independent Director to ensure that the Board carries out its responsibilities effectively. Every meeting of the Board is followed by a session without the presence of Company management to ensure free and open discussion and communication among external directors. Directors may also hire outside consultants when and if necessary.

Disclosure

In order to maintain high standards regarding disclosure issues, the Company has a disclosure policy relating to the timely communication of information and the prevention of improper trading. This policy ensures that communications to the investing public are timely, factual and accurate and that information is disseminated in accordance with all applicable regulatory requirements.

Ethical Behaviour

During Fiscal 2003, the Board approved a *Code of Ethics* for all employees. The *Code of Ethics* provides the entire organization with a common frame of reference for dealing with sensitive and complex issues and sets a high standard for ethical behaviour throughout the organization.

Astral Media is committed to ensuring the healthy governance of its enterprise for the benefit of all its shareholders.

For a more complete review of the Company's corporate governance practices, please refer to the Company's Management Proxy Circular, available on its website at www.astralmedia.com.

board of directors

Normand Beauchamp
President
Capital N.D.S.L. Inc.

Austin C. Beutel [1 (Chair)]
Corporate Director and
President, Oakwest Corporation Limited

Edward M. Bronfman, O.C. [3]
President
Maured Limited

André Bureau, O.C.
Chairman of the Board
Astral Media Inc.

Jack L. Cockwell [1, 3]
Group Chairman
Brascan Corporation

George A. Cohon, O.C. [2 (Chair), 3]
Founder and Senior Chairman
McDonald's Restaurants of Canada Limited

Paul V. Godfrey, C.M. [1, 2]
President and Chief Executive Officer
Toronto Blue Jays
Baseball Club

Serge Gouin
Advisory Director
Citigroup Global Markets Canada Inc.

Edith Greenberg
Chairperson
Halgreen Holdings Inc.

Ian Greenberg
President and Chief Executive Officer
Astral Media Inc.

Sidney Greenberg
Vice-President
Astral Media Inc.

Sidney M. Horn
Senior Partner
Stikeman Elliott LLP

Mila P. Mulroney
Honorary Director
Canadian Cystic Fibrosis Foundation

Timothy R. Price [1, 2, 3 (Chair), 4]
Chairman
Brascan Financial Corporation

Committees of the Board

[1] Audit
[2] Compensation and Human Resources
[3] Corporate Governance and Nominating

[4] Lead Independent Director

astral media corporate services

astral media
financial review

management's
discussion and analysis ("MD&A")

The following retroactive comments on the financial situation and the results of operations of Astral Media Inc. ("Astral" or the "Company") should be read in conjunction with the Company's audited consolidated financial statements.

GENERAL

Astral Media Inc. is a leading Canadian media company active in specialty, pay and pay-per-view television, radio and outdoor advertising. The Company is the country's largest operator of English and French specialty, pay, and pay-per-view television services, involved on its own or with partners, in 19 network licences. In radio, the Company owns 16 FM radio stations in the province of Québec that are grouped in three highly complementary networks, Énergie, RADIO RockDétente and Boom fm. It also owns 6 FM stations and 2 AM stations in New Brunswick and Nova Scotia. Astral Media Outdoor is one of Canada's most innovative outdoor advertising companies, with some 3,500 faces in Québec, Ontario, Alberta and British Columbia. Astral has a presence on the Internet through 18 Web sites, and has a majority interest in Artech Digital Entertainments, a leading developer of games and software. The shares of Astral Media Inc. trade on the Toronto Stock Exchange under the ticker symbols ACM.A and ACM.B.

ACCOUNTING PRINCIPLES AND PRESENTATION

The Company retroactively prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") and a summary of these policies is available in note 1 of the audited consolidated financial statements. The impact of recently adopted accounting policies is as follows:

The Company adopted the Canadian Institute of Chartered Accountants' ("CICA") recommendations on *Disposal of Long-lived Assets and Discontinued Operations* effective September 1, 2002. Accordingly, the results and cash flows from the assets already disposed of or expected to be disposed of within the next fiscal year, are presented as discontinued operations on the consolidated statements of earnings and cash flows while on the consolidated balance sheet, assets and liabilities are presented separately as held for disposal. Comparative figures have been reclassified accordingly. Further information on discontinued operations is provided below.

Effective September 1, 2002, the Company adopted, on a prospective basis, recommendations of the CICA on stock-based compensation and other stock-based payments. The Company's stock option plan is described in note 12 of the Company's 2003 audited consolidated financial statements. The adoption of these recommendations has no impact on the Company's financial condition.

HIGHLIGHTS FOR THE YEAR

a) Fiscal 2003

On October 28, 2002, the Company completed the acquisition of 19 radio stations from Telemedia Corporation ("Telemedia") in Québec, New Brunswick and Nova Scotia for $120.0 million in cash and 5,333,333 Class A non-voting shares of the Company, for a total consideration of $219.8 million. This transaction was approved by the Canadian Radio-television and Telecommunications Commission ("CRTC") in April 2002 and the Competition Bureau in September 2002.

Pursuant to its agreement with the Competition Bureau, the Company was required to sell as a network, its French-language AM radio assets in the province of Québec (the "Québec AM assets"). Astral was also required to dispose of its CFOM-FM station in Quebec City under the conditions of the CRTC decision approving the transaction with Telemedia.

On September 2, 2003, the Company announced an agreement to sell its Québec AM assets as well as CFOM-FM, to a business venture formed by Mr. Gaëtan Morin and Mr. Sylvain Chamberland for $12 million in cash. Of this amount, $8 million pertains to the Québec AM assets and is to be shared equally with Telemedia. Closing of the sale, subject to regulatory approvals, is expected in Fiscal 2004. The earnings and cash flows related to these assets are reported as discontinued operations and their assets and liabilities are classified as held for disposal. Due to uncertainty regarding the closing date of the transaction, its impact on the Company's results cannot yet be determined. However, the Company believes that any gain or loss resulting from the transaction will not have a material effect on its results.

A previous agreement to sell the Québec AM assets and CFOM-FM to a business venture owned by TVA Group Inc. and Radio Nord Communications inc. was denied by the CRTC in a decision announced July 2, 2003.

b) Fiscal 2002

Effective September 1, 2001, the Company acquired the remaining 14% interest of Astral Media Outdoor, L.P. ("Outdoor") from its minority partners for a total of $11.9 million in cash, thereby giving the Company 100% ownership.

DISCONTINUED OPERATIONS AND ASSETS HELD FOR DISPOSAL

The impact of adopting the CICA's recommendations on *Disposal of Long-lived Assets and Discontinued Operations* effective September 1, 2002, with retroactive application, is that the following transactions (realized or expected) are treated as discontinued operations in the consolidated statements of earnings and cash flows and as assets or liabilities held for disposal on the consolidated balance sheets.

a) Fiscal 2003

As required by the regulatory authorities, the Company is obliged to sell its Québec AM assets and CFOM-FM. These radio stations are thus treated as discontinued operations.

On April 11, 2003, the Company disposed of its outdoor advertising structures in Cleveland, Ohio, (the "Cleveland assets") for cash proceeds of $1.9 million, recording a pre-tax gain of $0.1 million ($0.06 million net of income tax). Although the transaction has closed, it remains subject to certain approvals by municipal authorities required within one year of the closing.

In the fourth quarter, the Company confirmed its plan to dispose of its investment in Artech Digital Entertainments Inc. ("Artech"). An impairment charge of $3 million, net of nil income tax, was recorded in discontinued operations to reduce the carrying value of related goodwill to its estimated fair value net of estimated selling costs.

b) Fiscal 2002

The Company recorded an impairment charge of $8.1 million ($5.6 million net of income tax) in Fiscal 2002 to reflect the impairment of the carrying value of the CFOM-FM broadcast licence acquired in Fiscal 2001.

On October 11, 2001, the Company sold its 14.95% interest in The Comedy Network Inc. ("Comedy") to Corus Entertainment Inc. for cash proceeds of $18.0 million, recording a pre-tax gain of $17.0 million ($13.0 million net of income tax).

A reconciliation of net earnings from continuing operations to net earnings is provided below.

	3 months ended August 31		12 months ended August 31	
(in thousands)	**2003** (unaudited)	2002 (unaudited)	**2003**	2002
Net earnings from continuing operations	**$19,704**	$ 16,143	**$71,289**	$ 50,345
Net earnings (loss) from discontinued operations	**956**	(86)	**(513)**	(630)
Loss from impairment of broadcast licences and goodwill, after tax	**(3,000)**	(5,600)	**(3,000)**	(5,600)
Gain on the sale of Cleveland assets, after tax	**60**	–	**60**	–
Gain on sale of Comedy, after tax	**–**	–	**–**	12,995
Net earnings (loss) from discontinued operations	**(1,984)**	(5,686)	**(3,453)**	6,765
Net earnings	**$17,720**	$ 10,457	**$67,836**	$ 57,110

Additional information regarding the assets and liabilities held for disposal is found in note 4 of the audited consolidated financial statements.

CONSOLIDATED OPERATING RESULTS

(in thousands of $)	2003 (unaudited)	2002 (unaudited)	% Growth Total	% Growth Organic [1]
	For the 3 months ended August 31			
Revenues				
Television	**89,502**	80,083	**12%**	**12%**
Radio	**25,247**	10,381	**143%**	**20%**
Outdoor Advertising	**10,429**	8,436	**24%**	**24%**
Total Revenues	**125,178**	98,900	**27%**	**14%**
EBITDA				
Television	**27,107**	25,585	**6%**	**6%**
Radio	**8,684**	3,942	**120%**	**7%**
Outdoor Advertising	**3,834**	2,804	**37%**	**37%**
Corporate	**(3,158)**	(3,395)	**7%**	**7%**
Total EBITDA	**36,467**	28,936	**26%**	**11%**

[1] Organic growth excludes the impact of acquisitions.

(in thousands of $)	2003 (unaudited)	2002 (unaudited)	% Growth Total	% Growth Organic [1]
	For the 12 months ended August 31			
Revenues				
Television	**353,394**	316,855	**12%**	**12%**
Radio	**86,059**	37,375	**130%**	**15%**
Outdoor Advertising	**36,254**	32,353	**12%**	**12%**
Total Revenues	**475,707**	386,583	**23%**	**12%**
EBITDA				
Television	**105,782**	88,915	**19%**	**19%**
Radio	**26,467**	8,879	**198%**	**24%**
Outdoor Advertising	**9,582**	8,604	**11%**	**11%**
Corporate	**(11,762)**	(11,302)	**-4%**	**-4%**
Total EBITDA	**130,069**	95,096	**37%**	**20%**

[1] Organic growth excludes the impact of acquisitions.

REVENUES

Television revenues are derived from subscription fees, pay-per-view sales and advertising. Radio revenues are derived from advertising aired over the Company's FM and AM stations. Outdoor Advertising revenues are derived from advertisements posted on the Company's inventory of outdoor panels.

Revenues are detailed as follows:

(in thousands of $)	2003 (unaudited)	2002 (unaudited)	% Growth Total	% Growth Organic [1]
	For the 3 months ended August 31			
Subscription related – Television	**73,887**	68,409	**8%**	**8%**
Advertising				
Television	**13,810**	9,699	**42%**	**42%**
Radio	**25,247**	10,381	**143%**	**20%**
Outdoor Advertising	**10,429**	8,436	**24%**	**24%**
Total Advertising	**49,486**	28,516	**74%**	**29%**
Other	**1,805**	1,975	**-9%**	**-9%**
Total Revenues	**125,178**	98,900	**27%**	**14%**

[1] Organic growth excludes the impact of acquisitions.

(in thousands of $)	2003 (unaudited)	2002 (unaudited)	% Growth Total	% Growth Organic [1]
	For the 12 months ended August 31			
Subscription related – Television	**290,413**	267,994	**8%**	**8%**
Advertising				
Television	**55,724**	41,989	**33%**	**33%**
Radio	**86,059**	37,375	**130%**	**15%**
Outdoor Advertising	**36,254**	32,353	**12%**	**12%**
Total Advertising	**178,037**	111,717	**59%**	**21%**
Other	**7,257**	6,872	**6%**	**6%**
Total Revenues	**475,707**	386,583	**23%**	**12%**

[1] Organic growth excludes the impact of acquisitions.

OVERALL ANALYSIS

All businesses contributed to revenue growth in the fourth quarter and the year. Subscription related revenues increased 8% year-over-year in both the quarter and the year, driven mainly by pay television subscriber growth. Advertising revenues also increased substantially year-over-year, namely in Radio due to the acquisition of the stations from Telemedia and organic growth attributable to the Énergie network. Significant advertising revenue increases were also realized in Television with a 42% increase for the quarter and 33% for the year and in Outdoor Advertising with 24% growth in the latest quarter and 12% for the year. Revenues and individual segments are further analyzed below.

Operating expenses of $88.7 million for the quarter are $18.7 million or 27% higher as compared to the same quarter last year. For the twelve-month period, operating expenses increased by 19% or $54.2 million. The increase is mainly attributable to the acquisition of radio stations in Fiscal 2003 and to higher variable expenses, namely programming charges and selling expenses, both of which vary with revenues.

Compared to the same periods last year, the Company's overall EBITDA margin was stable in the fourth quarter, but rose from 24.6% to 27.3% over the twelve-month period. The improved margin is the result of increases in pay-TV revenues, advertising revenues in both Television and Radio as well as the impact of radio stations acquired from Telemedia.

Interest expense and income are shown net on the audited consolidated statements of earnings. Interest expense includes interest paid on borrowings and stand-by fees on the Company's credit facilities. The expense for the fourth quarter reflects mainly the interest charges on bank debt required for the acquisition of the Telemedia radio assets. For the twelve-month period, the interest expense was reduced by interest income earned on the Company's cash balances until October 28, 2002, at which point these balances were used for the acquisition of the Telemedia radio assets.

The effective income tax rate for the full year is consistent with the statutory rate of 36.7% and is lower than last year's rate of 38.7% reflecting declining tax rates which are expected to decrease further in the foreseeable future.

ANALYSIS BY SEGMENT

Television

Subscribers to pay television (The Movie Network and Super Écran) grew by 138,000 or 12% from the same date last year to reach 1.3 million at the end of August 2003. The English- and French-language pay networks are showing similar growth patterns which are attributable to the continued growth of the digital base. Although revenues are driven by subscriber levels in pay television, viewership provides an indication of their popularity and the quality of their programming. Among overall audiences aged 2+, Super Écran took the top spot in viewership share as the #1 pay or specialty service in Québec and The Movie Network ranked as the #3 Canadian pay or specialty service in Eastern Canada.

The Company's specialty networks derive their revenues from subscriptions and advertisements. Subscription revenues are generally stable as the networks are well established. On the other hand, advertising revenues vary according to market conditions, the quality of programming and the effectiveness of the sales organization. Viewership data for the Company's French networks in Québec shows that they have captured a total audience market share of 19.5% compared to 18.2% last year, a clear indication of the public's strong appreciation for the Company's quality programming. The popularity of Astral's networks combined with highly focused sales strategies and favourable market conditions have resulted in advertising revenues rising by 33% to $55.7 million for the year and by 42% for the quarter. Comparatively, the television advertising market in Québec grew an estimated 15% for the same period. The Company's television advertising revenues now represent 16% of total television revenues compared to 13% a year earlier.

Operating expenses of $62.4 million for the quarter were $7.9 million or 14% higher than last year, and for the twelve-month period were $247.6 million compared to $227.9 million for the same period last year, an increase of $19.7 million or 9%, attributable mainly to higher variable programming costs. These costs vary according to the number of subscribers as well as according to the Canadian content ("Cancon") spending requirements which are calculated as a percentage of the prior year's revenues. Variable programming costs have risen in accordance with the higher number of subscribers to the Company's pay networks and the increased revenues that have been generated. However, the Television EBITDA margin for the year has also increased to 29.9% from 28.1% last year, a reflection of the effective measures implemented to mitigate the impact of the additional programming spending requirements.

Radio

The highlight of the year was the acquisition of Telemedia's radio assets in Québec and in the Atlantic Provinces. The transaction closed on October 28, 2002 and the results from the newly acquired stations, excluding those held for disposal, are consolidated as of that date. Over the past ten months, the Radio group has focused on the integration of Telemedia's stations into its existing structure, capitalizing on the strengths of each group with a view of maximizing synergies.

The Énergie FM network, comprising radio stations owned by Astral prior to the Telemedia transaction, increased revenues by 20% for the quarter and 15% for the twelve-month period, well above the performance of the Québec radio market, which grew by an estimated 15% and 12% for the respective corresponding periods. The strong performance is due mostly to improved branding, strong programming as well as a reinforced sales strategy. The Énergie network's success was further confirmed by the latest spring ratings which showed an increase of 17% in listening hours for its flagship station in Montréal, énergie 94.3 FM.

The RADIO RockDétente FM network in Québec and Astral's stations in the Maritimes recently acquired from Telemedia, also contributed to the Radio group's strong results. The stations generated revenues of $12.8 million and EBITDA of $4.5 million in the fourth quarter and revenues of $43.1 million and EBITDA of $15.5 million in the ten-month period since their acquisition.

Radio's operating expenses for the quarter were $10.1 million higher than last year's and $31.1 million higher for the twelve-month period, due mainly to the impact of radio stations acquired from Telemedia. Other increases are mainly related to variable operating expenses.

Astral Radio's EBITDA margin is amongst the highest in the industry, reaching 30.8% for Fiscal 2003 compared to 23.8% last year.

Outdoor Advertising

Revenues in Outdoor Advertising are influenced by the number of panels in inventory, their location and size, rental rates, occupancy levels and general economic conditions. Outdoor was able to grow its revenues by 12% in Fiscal 2003 despite intense competition in the industry and changes in the regulatory environment. Growth is mainly attributable to new panels added to inventory but also to increased rates and stable occupancy levels. On the other hand, the impact of new signage laws in Québec temporarily dampened growth during the year but the impact has been limited as most of the deficiencies have been remedied by the relocation of structures.

In the fourth quarter, Outdoor's revenues grew $2.0 million or 24% over last year. This growth is explained by the availability of new panels and stronger demand for outdoor advertising as compared to last year.

Operating expenses were $1.0 million or 17% higher for the fourth quarter of Fiscal 2003 compared to the same period last year and 12% higher for the year. The increase is mainly due to the higher number of advertising structures in inventory. Increases of rental charges for renewed leases have stabilized and did not have a significant impact on operating expenses.

As previously noted, the Company disposed of its advertising structures in Cleveland, Ohio, and now conducts business exclusively in Canada.

CORPORATE COSTS

Corporate costs for Fiscal 2003 have increased by 4% compared to last year due in part to additional infrastructure required to support an expanding corporation.

QUARTERLY PERFORMANCE (CONTINUING OPERATIONS)

Approximately two thirds of the Company's revenues are subscriber based and as such do not vary significantly on a quarter-to-quarter basis. The balance of Astral's revenues are generated by advertising sales which normally follow strong seasonal patterns with the first and third quarters being the most favorable. Quarterly performance should therefore be interpreted taking these factors into consideration.

The following table highlights the Company's **quarterly performance** of **continuing operations**.

Quarterly results in Fiscal 2003 and 2002 have been restated to reflect the adoption of the CICA's recommendations on *Disposal of Long-lived Assets and Discontinued Operations.*

2003

(in thousands of $ except per-share data)	**Quarter 1**	**Quarter 2**	**Quarter 3**	**Quarter 4**	**Total**
Revenues	**111,742**	**112,753**	**126,034**	**125,178**	**475,707**
EBITDA	**28,877**	**28,164**	**36,561**	**36,467**	**130,069**
Net earnings	**16,229**	**14,966**	**20,390**	**19,704**	**71,289**
Earnings per share – basic	**0.31**	**0.27**	**0.37**	**0.36**	**1.31**

2002

(in thousands of $ except per-share data)	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Revenues	96,897	90,225	100,561	98,900	386,583
EBITDA	20,258	19,397	26,505	28,936	95,096
Net earnings	10,011	10,083	14,108	16,143	50,345
Earnings per share – basic	0.20	0.20	0.29	0.33	1.02

LIQUIDITY AND FINANCIAL RESOURCES

Cash flow from continuing operations amounted to $87.9 million for the twelve months ended August 31, 2003 compared to $62.3 million a year earlier, an increase of 41%. The additional cash flow is attributable to increased earnings from operations. Cash flow from continuing operations is expected to increase in Fiscal 2004 as a result of higher projected earnings.

Cash and short-term investments of $15.0 million at the end of Fiscal 2003 decreased by $57.3 million from $72.3 million as at August 31, 2002, as the Company used its cash balances to pay a portion of the $120.0 million cash consideration for the acquisition of Telemedia's radio assets. The remainder of the cash consideration was paid by using the Company's credit facilities. Astral expects to accumulate cash reserves in the upcoming fiscal year as its long-term debt will be fully reimbursed and there are no major expenditures planned other than normal course capital expenditures and operating expenses.

Accounts receivable and other current assets have increased to $96.5 million in 2003 from $80.8 million in 2002 mainly due to the impact of radio stations acquired from Telemedia and increased advertising revenues.

Program and film rights increased to $76.5 million in 2003 from $64.9 million in 2002 due to increased spending requirements and differences in the timing of the broadcast windows. Program and film rights on the consolidated balance sheet represent the unamortized cost of programming acquired by the Company's television networks. In some cases, the networks invest in Canadian productions with a view of obtaining program or film rights once the production is completed. Such investments qualify as Canadian content and the Company carries them at the lower of cost and net realizable value.

Other assets include deferred charges, pension plan assets and the long-term portion of employee loans. Deferred charges represent network licence application and development costs which are amortized over the term of the licences. In Fiscal 2002, an amount of $4.2 million associated with the acquisition of radio stations from Telemedia was included in deferred costs and subsequently transferred to the cost of acquisition upon the closing of the transaction in Fiscal 2003. Finally, the Company contributed $4.7 million in cash during Fiscal 2003 to its pension plan, in addition to employees' contributions, resulting in a fully funded plan.

Broadcast licences increased by $271.2 million from the beginning of the fiscal year following the acquisition of the Telemedia radio assets. **Goodwill**, on the other hand, did not change during the year. The Company performs an impairment test annually or more frequently if the circumstances change. The Company completed its impairment test for the year ended August 31, 2003 and concluded that no provision for impairment was required. The next test is scheduled for August 31, 2004.

The increase in **accounts payable and accrued liabilities** to $118.2 million from $91.6 million last year is principally due to the impact of radio stations acquired from Telemedia and higher levels of purchases.

Future income taxes are essentially related to broadcast licences and may only become payable if their related broadcast assets are disposed of. The amount of future income taxes will be adjusted if enacted future income tax rates change or if broadcast licences are written down. The increase of future income taxes as compared to their Fiscal 2002 balance is primarily related to the acquisition of radio assets from Telemedia.

Long-term debt at the end of the year increased by $8.8 million from the end of Fiscal 2002 due to bank debt required for the radio assets acquired from Telemedia, partly offset by reimbursements from operations in the intervening period. During the fourth quarter, long-term debt was reduced by $21.2 million as a result of cash generated by operations. The long-term debt should be fully reimbursed within the first quarter of Fiscal 2004.

Assets and liabilities held for disposal include the assets of the radio stations held for disposal and those of Artech as well as the long-term liabilities related to businesses disposed of in prior years.

The increase of **capital stock** during the year is mainly attributable to the issuance of 5,333,333 Class A shares to Telemedia Corporation on October 28, 2002 as part of the consideration paid for the acquisition of radio stations. On May 8, 2003, Telemedia Corporation sold these shares to various financial institutions. All figures related to share information retroactively reflect the stock split approved by the shareholders on March 28, 2002 which became effective April 9, 2002.

The **book value per share** of the Company increased by 14% to $13.81 per share as at August 31, 2003 from $12.09 per share a year earlier.

CAPITAL EXPENDITURES

Capital expenditures from continuing operations amounted to $16.2 million in Fiscal 2003 compared to $11.4 million last year. The most significant acquisitions pertain to outdoor advertising structures, broadcasting equipment, computer hardware and software. Capital spending in Fiscal 2004 is estimated at $16.1 million, mainly for the same types of assets.

RISKS, UNCERTAINTIES AND OPPORTUNITIES

The Company faces a number of risks and uncertainties which in many cases also represent opportunities for its businesses.

Technology and communication protocols are constantly changing and have an impact on the Company's Television and Radio operating environment. For example, the deployment of Video-On-Demand ("VOD") services by cable companies creates additional competition for the Company's services but also promotes the rollout of digital set-top boxes that stimulate the growth of the Company's pay-TV subscriber base. In Radio, it is too early to determine the impact, if any, of the emergence of satellite radio. The Company is monitoring the development of this market to identify any threats or opportunities related to the new technology. The Company has generally shown itself to be a leader in its businesses rather than reacting to developments by others and attempts to distinguish itself from its competitors by leveraging new technologies. Consequently, a significant portion of its capital expenditures is aimed at constantly improving the Company's technological capabilities and infrastructures.

The Television group is dependent on **broadcasting distribution undertakings ("BDUs")** (including cable, satellite services ("DTH") and multichannel multipoint distribution systems ("MMDS")) for distribution of its television services. There could be a negative impact on revenues if distribution affiliation agreements with BDUs were not renewed on terms and conditions similar to those currently in effect. Affiliation agreements with BDUs have multi-year terms that expire at various points in time. The Company maintains strong relationships with all its distributors and is confident it can complete agreement renewals on mutually satisfactory terms and conditions, as has been the case historically.

A small number of BDUs comprise the majority of the subscriber base for the Company's networks and as such, the Company's Television businesses have a few very significant **customers.** There is always a risk that the loss of an important relationship would have a significant impact on any particular business unit. To alleviate this risk, the Company enters into long-term contracts with its customers. Furthermore, the Company has developed a broad selection of popular specialty networks that deliver quality programming. Astral's networks have thus become key and highly demanded components of every BDUs' offerings.

Subscription revenues are dependent on the number of subscribers and the wholesale rate billed by the Company to BDUs for carriage of the individual networks. The extent to which the subscriber bases will grow is uncertain. The growth of the subscriber base for digital services supporting much of the Company's growth is dependent upon the ability of BDUs, and in particular, the cable companies, to deploy and expand their digital technologies and upon the willingness of subscribers to accept and pay for the digital technology required to carry any of the digital services. By consistently providing a high quality programming offering that caters to the needs of its various audiences, the Company is confident in its ability to increase its subscriber bases in the future.

Advertising revenues are subject to fluctuations as a result of changes in the economic environment, the marketplace and audience ratings. The Company's business units constantly monitor changes in their respective markets and operating environments and adapt their sales strategies and content offerings in order to minimize any adverse effect that the changes may cause.

The Company's television satellite broadcast signals are subject to **theft** and as a result, potential revenue loss. An increase in the number of illegal receivers in Canadian homes could have an adverse effect on the Company's existing revenues and inhibit its capacity to grow. Legal, regulatory and promotional measures have been taken, in partnership with BDUs and other industry players, in order to fight signal theft. The Company believes these steps will help curtail signal theft and minimize any possible erosion of its subscriber bases.

The Company's Television and Radio broadcasting units are **regulated** by the CRTC. While this regulated framework provides a stable environment and supports the Canadian broadcasting industry from undue foreign influence, these circumstances could change at any time. The impact on Television and Radio operations of any possible changes to broadcast policy and regulations cannot be determined. However, the broadcast licences held by the Company have always been in good standing and Astral is confident in its ability to continue to satisfy the conditions of licence of its broadcast undertakings. Management consistently monitors the regulatory environment to identify risks and opportunities resulting from any changes.

The CRTC from time to time issues new licences for a variety of services. **Competitive licences** granted to other companies increase the competition for viewers, listeners, programming and advertising dollars. Although a number of new digital licences were recently awarded by the CRTC for competing television networks, the Company was able to limit the impact by providing strong programming and strengthening its brands. In Radio, new licences were recently awarded in the province of Québec but the Company plans to compete with the same strategy of providing high quality content and strong brands. The Company also seeks opportunities to obtain new licences and expand its business, as evidenced by its application for two new radio licences in the Halifax, Nova Scotia, market.

The Company's Outdoor Advertising business is also subject to **regulations**, namely regarding the right to build advertising structures in public areas. Changes to regulations by any level of government may inhibit the Company's ability to build new sites on specific highways in the future.

The Company's revenues and results of operations are and will continue to be influenced by prevailing general **economic conditions.** In the event of a general economic downturn or a recession, purchasers of the Company's advertising inventories may reduce their advertising budgets. In the event of such an economic downturn, there can be no assurance that the Company's operating results, prospects and financial condition would not be adversely affected. This risk is mitigated by the fact that approximately two thirds of the Company's revenues are subscriber based. These are significantly more stable in an uncertain economic environment.

Quality programming is a key factor driving the success of the Company's Television and Radio services. Increasing competition for popular quality programming can cause prohibitive cost increases that may prevent the Company from renewing supply agreements for specific popular programs or contracts for on-air personalities. The Company maintains strong relationships with studios, producers and performers and constantly monitors its markets and audiences to clearly define their needs in order to maintain the overall quality of its program offerings and deliver content that sustains the popularity of its services.

OUTLOOK

The Company is involved in a dynamic industry that continues to offer both **opportunities and challenges**. As the regulatory framework and economic environment change, the Company has the opportunity to grow organically and to expand through the launching of new services and through acquisitions. On the other hand, the Company is facing increased competition and economic pressures within the Canadian broadcasting and advertising markets. Nevertheless, the fundamental factors underlying the Company's business remain positive.

The **Television** segment is looking forward to an increase in earnings in Fiscal 2004 principally generated by the growth of its subscriber bases tied to the continuing rollout of digital technology and by increasing advertising revenues linked to the popularity and strong ratings of its networks.

The **Radio** segment is expected to further grow its earnings following the acquisition of Telemedia's Québec and Maritime radio stations. In Fiscal 2004, the Company will benefit from two additional months of earnings related to the acquired stations and synergies derived from additional integration and productivity gains. Although more competition is expected in the province of Québec following the granting of new licences in certain markets, the impact is expected to be limited by the benefits derived from the Company's high quality programming and its growing audience levels.

Outdoor will implement focused sales strategies in order to increase its occupancy levels and generate higher revenues and earnings in Fiscal 2004. Investments in new sites will be slightly lower than in Fiscal 2003.

Overall, the Company currently expects that **EBITDA** and **net earnings** from continuing operations will grow by approximately 12% to 15% in Fiscal 2004.

The Company maintains a strong balance sheet and its cash flows and available **financial resources** are more than sufficient to meet its operational obligations and to finance any acquisition which supports its growth strategy.

The Company intends to continue its current **dividend practice**.

CORPORATE GOVERNANCE

The Company's annual and quarterly financial statements, including the MD&A, are reviewed and approved by the audit committee prior to their publication, in accordance with regulatory requirements. The audit committee is composed of four independent board members and all of them have extensive financial expertise to properly assess the quality and reliability of the Company's financial statements. The Company's auditors provide only audit and tax-related services on an ongoing basis. During Fiscal 2003, the Company adopted a disclosure policy and a code of ethics that have been communicated to all employees.

Legislation has been put forward by the Ontario government empowering the Ontario Securities Commission to implement reporting requirements similar to those adopted in the United States under the Sarbanes-Oxley Act. The Company plans to implement the required procedures to ensure that it is in full compliance once the legislation becomes applicable.

IMPACT OF NEW ACCOUNTING POLICIES

The CICA recently issued Handbook Section 3063, *Impairment of Long-lived Assets*, which establishes standards for the recognition, measurement and disclosure of the impairment of long-lived assets by profit-oriented enterprises. Section 3063 is effective for fiscal years beginning on or after April 1, 2003. The impact of implementing the recommendations has yet to be determined.

SUPPLEMENTARY EARNINGS MEASURE

In addition to providing earnings measures in accordance with GAAP, the Company's statements of earnings show earnings before interest, income taxes, depreciation and amortization ("EBITDA") as a supplementary earnings measure. Other items such as the results of discontinued operations are excluded from earnings in the determination of EBITDA as they are not considered to be in the ordinary course of business. This measure does not have a standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. EBITDA is provided to assist investors in determining the ability of the Company to generate cash from operations and to cover financial charges. It is also widely used for valuation purposes.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements with respect to the Company. These forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by these forward-looking statements. We consider the assumptions on which these forward-looking statements are based to be reasonable, but caution the reader that these assumptions regarding future events, many of which are beyond our control, may ultimately prove to be incorrect since they are subject to risks and uncertainties that affect us. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

management's responsibility for financial information

The accompanying consolidated financial statements of Astral Media Inc. and all the information in this annual report are the responsibility of management.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. When alternative methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgment. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the Annual Report and has ensured that it is consistent with that in the financial statements.

The Company maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through the Audit Committee which consists of four outside directors appointed by the Board. The Committee meets periodically with management as well as with the independent external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee reviews the consolidated financial statements and the external auditors' report thereon and reports its findings to the Board for consideration when the Board approves the financial statements for issuance to the Company's shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors. The external auditors have full and free access to the Audit Committee.

On behalf of the shareholders, the financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards.

Ian Greenberg

Ian Greenberg
President and Chief Executive Officer

Claude Gagnon, CA
Vice-President, Finance and
Chief Financial Officer

Montréal (Québec)
October 3, 2003

auditors' report

To the Shareholders of Astral Media Inc.

We have audited the consolidated balance sheets of Astral Media Inc. as at August 31, 2003 and 2002 and the consolidated statements of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP
Chartered Accountants

Montréal (Québec)
October 3, 2003

consolidated
balance sheets

as at August 31 *(in thousands)*		Notes	2003	2002
ASSETS	Current			
	Cash and short-term investments		**$ 15,023**	$ 72,332
	Accounts receivable and other current assets		**96,454**	80,786
	Program and film rights		**47,126**	43,160
	Assets held for disposal	4	**1,751**	2,317
			160,354	198,595
	Program and film rights		**29,380**	21,762
	Other assets	6	**7,399**	9,249
	Fixed assets	7	**72,713**	65,881
	Broadcast licences	8	**853,873**	582,704
	Goodwill	9	**86,240**	86,240
	Non-current assets held for disposal	4	**9,699**	12,100
			$1,219,658	$ 976,531
LIABILITIES	Current			
	Accounts payable and accrued liabilities		**$ 118,171**	$ 91,617
	Program and film rights payable		**55,397**	54,642
	Current portion of future income taxes		**2,200**	–
	Current liabilities held for disposal	4	**252**	517
			176,020	146,776
	Future income taxes	14	**226,977**	192,713
	Other liabilities	11	**34,000**	24,453
	Long-term debt	10	**8,756**	–
	Non-current liabilities held for disposal	4	**10,802**	12,855
SHAREHOLDERS' EQUITY	Capital stock	12	**569,307**	465,497
	Retained earnings		**193,796**	134,237
			763,103	599,734
			$1,219,658	$ 976,531

See accompanying notes.

On behalf of the Board:

Ian Greenberg
Director

André Bureau
Director

consolidated
statements of earnings and retained earnings

for the years ended August 31 *(in thousands except per-share data)*	Notes	2003	2002
Revenues		$475,707	$ 386,583
Operating expenses		345,638	291,487
EBITDA	1	130,069	95,096
Depreciation		14,245	11,843
Amortization of deferred charges		1,469	1,718
Interest expense (income), net	13	1,413	(261)
Earnings from continuing operations before income taxes		112,942	81,796
Income tax provision	14	41,653	31,451
Net earnings from continuing operations		71,289	50,345
Net earnings (loss) from discontinued operations	4	(3,453)	6,765
Net earnings		$ 67,836	$ 57,110
Dividends		(8,277)	(7,398)
Retained earnings – beginning of year		134,237	84,525
Retained earnings – end of year		$193,796	$ 134,237
Earnings per share from continuing operations	12		
– Basic		$ 1.31	$ 1.02
– Diluted		$ 1.30	$ 1.01
Earnings per share			
– Basic		$ 1.25	$ 1.16
– Diluted		$ 1.24	$ 1.14

See accompanying notes.

consolidated
statements of cash flows

for the years ended August 31 *(in thousands)*		Notes	**2003**	2002
Cash provided by (used for):		1		
OPERATIONS	Net earnings from continuing operations		**$ 71,289**	$ 50,345
	Depreciation and amortization		**15,714**	13,561
	Future income taxes		**909**	(1,610)
	Cash flow from continuing operations		**87,912**	62,296
	Change in non-cash operating items	15	**(12,239)**	1,200
	Cash flow from continuing operating activities		**75,673**	63,496
DISCONTINUED OPERATIONS		4	**(1,159)**	15,791
INVESTING	Business acquisitions, net of cash acquired	2	**(120,141)**	(11,903)
	Additions to fixed assets		**(16,158)**	(11,414)
			(136,299)	(23,317)
FINANCING	Increase in long-term debt		**50,000**	–
	Decrease in long-term debt		**(41,244)**	–
	Increase in capital stock	12	**3,997**	12,373
	Dividends		**(8,277)**	(7,398)
			4,476	4,975
	Increase (decrease) in cash		**(57,309)**	60,945
	Cash – beginning of year		**72,332**	11,387
	Cash – end of year		**$ 15,023**	$ 72,332

See accompanying notes and supplementary cash flow information (note 15).

for the years ended August 31, 2003 and 2002

Astral Media Inc. ("Astral" or the "Company") is incorporated under the Canada Business Corporations Act and its shares are traded on the Toronto Stock Exchange. Its activities consist primarily of specialty, pay and pay-per-view television broadcasting, radio broadcasting and outdoor advertising.

1. ACCOUNTING POLICIES

a) Basis of Presentation

These consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts are expressed in Canadian dollars.

The results of operations of acquired businesses are included from their respective dates of acquisition.

Certain comparative figures have been reclassified to conform with the basis of presentation adopted in Fiscal 2003.

b) Principles of Consolidation

The consolidated financial statements include the accounts of Astral Media Inc. and its wholly-owned subsidiaries as well as its proportionate share of assets, liabilities, revenues and expenses of jointly controlled companies. All inter-segment transactions and balances are eliminated on consolidation.

Significant subsidiaries and joint ventures are as follows as at August 31:

	Percentage owned	
	2003	2002
Subsidiaries:		
Astral Broadcasting Group Inc.	**100**	100
The Family Channel Inc.	**100**	100
Astral Radio Inc.	**100**	100
Astral Media Outdoor, L.P. (note 2.b))	**100**	100
Joint Ventures (note 5):		
Artech Digital Entertainments Inc. (note 4)	**51**	51
Viewer's Choice Canada Inc.	**50.1**	50.1
Historia & Séries+, S.E.N.C.	**50**	50
MusiquePlus Inc.	**50**	50
TELETOON Canada Inc.	**40**	40
Canal Indigo, S.E.N.C.	**20.04**	20.04

c) Disposal of Long-lived Assets and Discontinued Operations

The Company retroactively adopted the Canadian Institute of Chartered Accountants' ("CICA") recommendations on *Disposal of Long-lived Assets and Discontinued Operations,* effective September 1, 2002. Under the recommendations, a long-lived asset to be disposed of by sale is measured at the lower of its carrying amount or fair value less the estimated cost to sell, and is not amortized while classified as held for disposal. Assets and liabilities classified as held for disposal are reported separately on the balance sheet.

The recommendations also require that the results of operations of a component of an enterprise, that has been disposed of either by sale or is classified as held for disposal, be reported as discontinued operations if the operations and cash flows of the component have been, or will be, eliminated from the ongoing operations as a result of the disposal transaction and the Company will not have any significant continuing involvement in the operations of the component after the disposal transaction. A component of an enterprise comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the enterprise.

The Company's disposal activities relating to long-lived assets are described in notes 3 and 4. The consolidated balance sheet as at August 31, 2002 and the consolidated statements of earnings and cash flows for the year then ended have been restated to conform with the above basis of presentation. As a result of the restatement, net earnings from continuing operations for the year ended August 31, 2002 decreased by $6.8 million, net earnings from discontinued operations increased by $6.8 million and net earnings were not impacted.

d) Revenue Recognition

The Company earns revenue from several sources. Revenue recognition policies are as follows:

I. Monthly fees in connection with television subscriptions are recorded as revenue on a pro-rata basis over the month. Revenues are generally calculated using an average number of subscribers during the month and the contractual wholesale rates;

II. Advertising revenue is recorded in the months that advertising airs on the Company's radio or television stations or appears on the Company's advertising panels; and,

III. Revenue from pay-per-view sales and other transactional sales are recorded as the services or products are provided.

1. ACCOUNTING POLICIES (cont'd)

e) Cash

For the purpose of the consolidated statements of cash flows, cash is defined as cash and short-term investments with original maturity terms of less than 90 days. Short-term investments are carried at cost, which is approximately equal to market value.

f) Program and Film Rights

Program and film rights are purchased on a fixed or variable cost basis. The asset and liability for fixed cost purchases are recognized at the time the purchase is committed. The asset is classified as either a current or non-current asset based on the availability period. The related liability is classified as either current or non-current based on contract payment terms. The cost of fixed program and film rights is expensed over the lesser of the availability period and a maximum period that varies depending upon the type of program, generally not exceeding 24 months. Rights acquired on a variable cost basis are not capitalized since their cost will be determined on the basis of the future number of subscribers.

Investments in programs and films to be produced by a third party are recorded as the Company's obligations are incurred and are carried at the lower of cost and estimated future cash flows. Any impairment charges are reported as operating expenses.

g) Fixed Assets

Fixed assets are recorded at cost and are depreciated on a straight-line basis over their estimated useful lives which are as follows:

Outdoor advertising panels	20 years
Equipment, furniture and fixtures	5 to 10 years
Computer hardware and software	2 to 6 years

Leasehold improvements are depreciated over the term of the related leases.

h) Broadcast Licences and Goodwill

The cost of acquiring businesses is allocated to the fair value of the related net identifiable tangible and intangible assets acquired. For broadcasting businesses, identifiable intangible assets acquired consist primarily of broadcast licences. The excess of the cost of the acquired businesses over the fair value of the related net identifiable tangible and intangible assets acquired is allocated to goodwill.

Effective September 1, 2001, the Company adopted on a prospective basis, the CICA's recommendations on *Goodwill and Other Intangible Assets*. Under the recommendations, goodwill and broadcast licences, which were determined to have an indefinite useful life, are no longer amortized and are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired. For the year ended August 31, 2003, the Company has concluded that no provision for impairment is required except for a provision of $3 million, net of nil income tax, recorded for the impairment of goodwill related to Artech Digital Entertainments Inc. ("Artech") (2002 – $5.6 million net of income tax related to the sale of CFOM-FM) (note 4).

i) Other Assets

Other assets include deferred charges relating to network licence applications, development and pre-operating costs. These costs are amortized over the term of the licences, which varies between five and seven years.

j) Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, future income tax assets and liabilities are determined by reference to the temporary differences between the carrying values and the tax basis of assets and liabilities. The future income tax assets and liabilities are measured using the income tax rates and laws that are expected to apply when these differences are expected to be recovered or settled. Future income tax assets are recognized to the extent that realization of such benefits is considered more likely than not. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in earnings in the period that includes the substantive enactment date.

1. ACCOUNTING POLICIES (cont'd)

k) Earnings Per Share

Effective September 1, 2001, the Company adopted, on a retroactive basis, the CICA's recommendations relating to the calculation and presentation of earnings per share information. Under the recommendations, the treasury stock method should be used rather than the imputed earnings approach for determining the dilutive effects of warrants and options when calculating diluted earnings per share. Adoption of these recommendations did not have a significant impact on the Company's diluted earnings per share calculation.

Basic earnings per share amounts are calculated using the weighted average number of shares outstanding during the year. Diluted earnings per share amounts are calculated using the weighted average number of shares that would have been outstanding had the relevant outstanding stock options been exercised at the beginning of the year, or their respective grant dates, if later.

l) Stock-based Compensation

Effective September 1, 2002, the Company adopted, on a prospective basis, the CICA's recommendations on *Stock-based Compensation and Other Stock-based Payments*. These recommendations require that compensation for all awards made to non-employees and certain awards made to employees, including stock appreciation rights, direct awards of stock and awards that call for settlement in cash or other assets, be measured and recorded in the financial statements at fair value.

The Company, as permitted by the recommendations, has chosen to maintain its policy of recording no compensation cost on the grant of stock options to employees. Any consideration paid by employees on the exercise of stock options is credited to capital stock. The Company also has a share purchase plan available to all employees. No compensation expense is recognized on the purchase of such shares and any consideration paid by employees is credited to capital stock. The disclosure of results, on a pro forma basis, required under the fair value method is included in note 12.d).

m) Employee Future Benefits

The Company has a voluntary defined benefit pension plan available to all its employees. For the purpose of calculating the expected return on plan assets, these assets are valued at their fair value. The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service, and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees. The Company uses the corridor method to amortize actuarial gains or losses over the average remaining service life of active employees. Under the corridor method, amortization is recorded only if, at the beginning of the fiscal year, the accumulated net actuarial gains or losses exceed 10% of the greater of the accrued pension benefit obligation and the value of the pension plan assets.

n) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

o) Supplementary Earnings Measure

In addition to providing earnings measures in accordance with GAAP, the Company's statements of earnings show earnings before interest, income taxes, depreciation and amortization ("EBITDA") as a supplementary earnings measure. Other items such as the results from discontinued operations are excluded from earnings in the determination of EBITDA as they are not considered to be in the ordinary course of business. This measure does not have a standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. EBITDA is provided to assist investors in determining the ability of the Company to generate cash from continuing operations and to cover financial charges. It is also widely used for valuation purposes.

2. BUSINESS ACQUISITIONS

a) Fiscal 2003

On October 28, 2002, the Company completed its acquisition of 19 radio stations from Telemedia Corporation ("Telemedia") in Québec, New Brunswick and Nova Scotia for $120.0 million in cash and 5,333,333 Class A non-voting shares of the Company. The assets acquired, liabilities assumed and results of operations of these stations, other than those held for disposal, are consolidated effective as of that date. The value of the Class A shares issued was determined on the basis of the average market price of the shares over a short period before and after September 3, 2002, the date that the terms of the acquisition were announced.

b) Fiscal 2002

Effective September 1, 2001, the Company acquired the remaining 14% interest of Astral Media Outdoor, L.P. ("Outdoor") from its minority partners for a total of $11.9 million in cash, thereby giving the Company 100% ownership.

Details of the acquisitions, accounted for by using the purchase method, are as follows:

(in thousands)	**2003**	2002
	Telemedia	Outdoor
Assets acquired:		
Identifiable assets	**$ 8,321**	$ 6,022
Assets held for disposal (note 3)	**2,174**	–
Broadcast licences (note 8)	**271,169**	–
Goodwill (note 9)	**–**	6,081
	281,664	12,103
Liabilities assumed (including integration costs of $4.5 million (2002 – nil))	**21,994**	200
Future income tax liability related to broadcast licences	**35,504**	–
Total consideration	**$224,166**	$ 11,903
Consideration comprises:		
Cash	**$120,000**	$ 11,903
Acquisition costs (including $4,212 incurred in Fiscal 2002)	**4,353**	–
Class A shares	**99,813**	–
Total consideration	**$224,166**	$ 11,903

As at August 31, 2003, $1.0 million of the integration costs related to the Telemedia transaction, consisting primarily of severance cost and lease termination costs, has been paid.

3. PENDING TRANSACTION

Pursuant to the Company's agreement with the Competition Bureau, the transaction to acquire certain radio assets from Telemedia was completed on October 28, 2002 (as described in note 2.a)). Under the terms of the agreement, following the closing, the Company is required to offer to sell, as a network, its AM radio assets in the province of Québec (the "Québec AM assets"). Astral is also required to dispose of its CFOM-FM station in Quebec City under the conditions of the Canadian Radio-television and Telecommunications Commission's ("CRTC") decision approving the transaction with Telemedia.

On September 2, 2003, the Company announced an agreement to sell its Québec AM assets as well as CFOM-FM, to a business venture formed by Mr. Gaëtan Morin and Mr. Sylvain Chamberland for $12 million in cash of which $11 million will be paid on the closing date and the balance of $1 million within a period of two years following the closing. Of the total amount of the proceeds, $8 million pertains to the Québec AM assets and is to be shared equally with Telemedia.

Closing of the sale, subject to regulatory approvals, is expected in Fiscal 2004. Due to uncertainty regarding the closing date of the transaction, its impact on the Company's results cannot yet be determined. However, the Company believes that any gain or loss emanating from the transaction will not have a material effect on its results.

4. DISCONTINUED OPERATIONS AND ASSETS HELD FOR DISPOSAL

In accordance with the CICA's recommendations on *Disposal of Long-lived Assets and Discontinued Operations* adopted by the Company effective September 1, 2002, with retroactive application, the following activities are treated as discontinued operations in the consolidated statements of earnings and cash flows and as assets or liabilities held for disposal on the consolidated balance sheets.

a) Fiscal 2003

On April 11, 2003, the Company disposed of its outdoor advertising structures in Cleveland, Ohio, for cash proceeds of $1.9 million, recording a pre-tax gain of $0.1 million ($0.06 million net of income tax). Although the transaction has closed, it remains subject to final approval by municipal authorities within one year of closing.

4. DISCONTINUED OPERATIONS AND ASSETS HELD FOR DISPOSAL (cont'd)

As described in note 3, the Company is required to sell certain radio stations and therefore their assets and liabilities are classified as held for disposal. Results and cash flows from operations of these stations are included in discontinued operations.

In the fourth quarter, the Company established a plan to dispose of its investment in Artech. An impairment charge of $3 million, net of nil income tax, was recorded in discontinued operations to reduce the carrying value of related goodwill to its estimated fair value net of estimated selling costs.

The above divestments are expected to be completed within one year.

b) Fiscal 2002

In the fourth quarter of Fiscal 2002, an impairment charge of $8.1 million ($5.6 million net of income tax) was recorded in discontinued operations to reduce the carrying value of the CFOM-FM broadcast licence to its estimated fair value net of estimated selling costs.

On October 11, 2001, the Company sold its 14.95% interest in The Comedy Network Inc. to Corus Entertainment Inc. for cash proceeds of $18.0 million, recording a pre-tax gain of $17.0 million ($13.0 million net of income tax).

Selected financial information for the businesses included in discontinued operations is reported below:

(in thousands)	**2003**	2002
Revenues	**$ 21,073**	$ 13,876
Loss from operations	**$ (1,196)**	$ (694)
Loss from impairment of goodwill	**(3,000)**	–
Loss from impairment of broadcast licence	**–**	(8,064)
Gain on disposition of assets	**99**	16,955
Earnings (loss) before income taxes	**(4,097)**	8,197
Income tax provision (recovery)	**(644)**	1,432
Net earnings (loss) from discontinued operations	**$ (3,453)**	$ 6,765

The major classes of assets and liabilities held for disposal are as follows:

(in thousands)	**2003**	2002
Current assets held for disposal:		
Cash and short-term investments	**$ 784**	$ 799
Accounts receivable and other current assets	**967**	1,518
	$ 1,751	$ 2,317
Non-current assets held for disposal:		
Fixed and other assets	**$ 3,218**	$ 2,619
Broadcast licences	**6,481**	6,481
Goodwill	**–**	3,000
	$ 9,699	$ 12,100
Current liabilities held for disposal:		
Accounts payable and accrued liabilities	**$ 252**	$ 517
Non-current liabilities held for disposal:		
Future income taxes	**$ 3,063**	$ 3,114
Other liabilities	**7,739**	9,741
	$ 10,802	$ 12,855
Net assets of discontinued operations	**$ 396**	$ 1,045

5. JOINT VENTURES

The following is a summary of the Company's proportionate share of the financial position, operating results and cash flows from continuing operations of the joint ventures included in the consolidated financial statements:

(in thousands of $)	**2003**	2002
Current assets	**38,112**	32,130
Non-current assets	**17,830**	14,121
Current liabilities	**21,283**	19,547
Non-current liabilities	**21,430**	19,200

(in thousands of $)	**2003**	2002
Revenues	**62,381**	56,939
Operating expenses	**45,539**	45,219
Interest expense, net	**719**	577
Net earnings from continuing operations	**10,106**	5,912
Cash provided by operating activities	**12,454**	1,673
Cash used for investing activities	**(1,497)**	(820)
Cash provided by (used for) financing activities	**(5,480)**	191

6. OTHER ASSETS

(in thousands)	**2003**	2002
Deferred costs (net of accumulated amortization of $10,581 (2002 – $9,091))	**$ 2,398**	$ 3,960
Deferred pension asset (note 17)	**4,805**	753
Deferred acquisition costs	**–**	4,212
Employee loans	**196**	324
	$ 7,399	$ 9,249

7. FIXED ASSETS

(in thousands)	**2003**		2002	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Outdoor advertising panels	**$ 52,444**	**$ 11,386**	$ 46,616	$ 8,455
Equipment, furniture and fixtures	**41,538**	**25,510**	33,667	19,140
Computer hardware and software	**20,907**	**12,492**	14,966	7,971
Leasehold improvements	**14,715**	**7,503**	11,682	5,484
Total	**$129,604**	**$ 56,891**	$ 106,931	$ 41,050
Net book value	**$ 72,713**		$ 65,881	

8. BROADCAST LICENCES

The changes in broadcast licences are summarized as follows:

(in thousands)	**2003**	2002
Beginning of year	**$582,704**	$ 582,662
Broadcast licences acquired (note 2.a))	**235,665**	42
Future income tax liability related to broadcast licenses acquired (note 2.a))	**35,504**	–
End of year	**$853,873**	$ 582,704

9. GOODWILL

Changes to goodwill relating to the Company's outdoor advertising business are summarized as follows:

(in thousands)	**2003**	2002
Beginning of year	**$ 86,240**	$ 80,159
Acquisition of 14% of Outdoor (note 2.b))	**–**	6,081
End of year	**$ 86,240**	$ 86,240

10. CREDIT FACILITIES

The Company has operating revolving credit facilities of $64.2 million of which $3.7 million are secured by certain joint-venture assets. Also, the Company has a bank term loan facility in the amount of $79.75 million, which reduces periodically until maturity in July 2006. Borrowings under these facilities bear interest at the banks' prime rate of 4.5% (2002 – 4.5%) and borrowings were $8.8 million as at August 31, 2003.

11. OTHER LIABILITIES

(in thousands)	**2003**	2002
Tangible benefits payable on licence acquisitions	**$ 16,920**	$ 10,117
Program and film rights payable	**7,503**	6,989
SERP liability (note 17)	**6,534**	5,868
Other liabilities	**3,043**	1,479
	$ 34,000	$ 24,453

12. CAPITAL STOCK

a) Authorized

An unlimited number of Class A non-voting shares ("Class A shares").

An unlimited number of Class B subordinate voting shares ("Class B shares"), entitled to one vote each and exchangeable for Class A shares on a one-for-one basis.

65,000, 5% non-cumulative Special shares ("Special shares"), entitled to ten votes each and convertible on the basis of two Class B shares for each Special share.

In order to ensure compliance with Federal Government directions, the Broadcasting Act and regulations governing specialty, pay and pay-per-view television services and radio stations (the "Regulations"), the Company has imposed restrictions respecting the issuance, transfer and, if applicable, voting of the Company's shares. Pursuant to such restrictions, the Company can prohibit the issuance of shares or refuse to register the transfer of shares or, if applicable, prohibit the voting of shares in circumstances that would or could adversely affect the ability of the Company and its affiliates, pursuant to the provisions of the Regulations, to obtain, maintain, renew or amend any licence required to carry on any business of the Company and its affiliates, including a licence to carry on a broadcasting undertaking, or to comply with such provisions or with any such licence.

b) Fiscal 2003 Transaction

On October 28, 2002, the Company issued 5,333,333 Class A shares as part of the consideration paid for the acquisition of radio stations from Telemedia (note 2.a)).

c) Stock Split

On March 28, 2002, the Company's shareholders approved the subdivision of its Special shares, Class B shares and Class A shares on a two (2) for one (1) basis. Trading of the shares on a split basis commenced on April 9, 2002. All information relating to the shares and per-share data has been adjusted retroactively to reflect the impact of the stock split in the consolidated financial statements and the accompanying notes.

d) Stock-based Compensation

Under the provisions of the Company's employee stock option plan, the Company may grant options to key employees and directors to purchase a maximum of 6,216,584 Class A shares. The option exercise price is set at the closing price for the Class A shares on the Toronto Stock Exchange on the last business day before the date on which the option is granted. Under the stock option plan, a portion of the stock options vest progressively over 4 or 5 years from the date of granting and the remainder vest on the basis of financial targets being achieved over a three-year period. All options have a term of 10 years.

During the year, the Company granted to key employees 1,006,840 options to purchase Class A shares of the Company. The weighted average grant date fair value of the options granted during the year is $8.48 per option. The fair value of each option granted was determined using the Black-Scholes option pricing model and the following weighted average assumptions:

Risk-free interest rate	4.75%
Expected life	5 years
Expected volatility in the market price of the shares	32.20%
Expected dividend yield	0.61%

12. CAPITAL STOCK (cont'd)

The Company accounts for the exercise of stock options as capital transactions. If the grant of stock options had been accounted for using the fair value method, results, on a pro forma basis for the year ended August 31, 2003, would have been as follows:

(in thousands)	2003
Net earnings from continuing operations, as reported	$ 71,289
Adjustment for the grant of stock options	(978)
Pro forma net earnings from continuing operations	$ 70,311
Net earnings, as reported	$ 67,836
Adjustment for the grant of stock options	(978)
Pro forma net earnings	$ 66,858
(in dollars)	
Pro forma earnings per share from continuing operations	
– Basic	$ 1.30
– Diluted	$ 1.28
Pro forma earnings per share	
– Basic	$ 1.23
– Diluted	$ 1.22

In accordance with the CICA's recommendations, the pro forma figures do not account for the effect of stock options granted prior to September 1, 2002.

The status of the Company's employee stock option plan as at August 31, is summarized as follows:

	2003		2002	
	Number of options outstanding	Weighted average exercise price ($)	Number of options outstanding	Weighted average exercise price ($)
Beginning of year	3,869,199	19.04	3,521,330	14.94
Granted	1,006,840	24.54	1,412,066	23.55
Exercised	(279,558)	11.95	(960,944)	11.43
Cancelled/expired	(93,336)	19.52	(103,253)	11.99
End of year	4,503,145	20.75	3,869,199	19.04
Exercisable – end of year	1,300,429	16.16	580,550	13.51

The following table summarizes information relating to the outstanding stock options:

Range of exercise prices ($)	Number of options outstanding at August 31, 2003	Weighted average remaining life (years)	Weighted average exercise price ($)	Number of options exercisable at August 31, 2003	Weighted average exercise price ($)
7.04- 7.88	40,786	3.18	7.12	40,786	7.12
7.89-10.97	335,254	4.92	9.96	325,683	9.94
10.98-16.41	511,564	6.41	12.90	322,604	12.90
16.42-20.08	43,753	7.22	17.49	35,476	17.67
20.09-21.13	1,189,032	7.35	21.10	367,700	21.10
21.14-24.55	2,382,756	8.81	24.06	208,180	23.73
7.04-24.55	4,503,145	7.80	20.75	1,300,429	16.16

12. CAPITAL STOCK (cont'd)

e) Share Purchase Plan

An employee share purchase plan provides employees of the Company and its subsidiaries with an annual opportunity to acquire Class A shares subject to a maximum of 10% of their annual salaries. The price paid by employees is 90% of the average market price during the one-week period immediately preceding the prescribed purchase date and the shares cannot be sold before one year. Employees may borrow funds from the Company to acquire shares, payable over a period of 12 or 24 months without interest. The shares are released only when they have been fully paid for.

f) Issued Capital Stock

(in thousands except number of shares)	**2003**		2002	
	Number of shares outstanding	Value of shares	Number of shares outstanding	Value of shares
Class A shares:				
Beginning of year	**46,304,222**	**$461,967**	45,276,670	$ 449,594
Employee stock option plan	**279,558**	**3,344**	960,944	11,006
Employee share purchase plan	**29,442**	**653**	66,608	1,462
Acquisition of radio assets (note 2.a))	**5,333,333**	**99,813**	–	–
Costs (net of income taxes)	**–**	**–**	–	(95)
	51,946,555	**565,777**	46,304,222	461,967
Class B shares	**3,277,522**	**3,205**	3,277,522	3,205
Special shares	**65,000**	**325**	65,000	325
		$569,307		$ 465,497

g) Earnings per Share

The following is a reconciliation of the numerator and denominators used for the computation of basic and diluted earnings per share from continuing operations:

(in thousands)	**2003**	2002
Net earnings from continuing operations (numerator)	**$ 71,289**	$ 50,345
Weighted average number of shares outstanding (denominator):		
Weighted average number of shares outstanding – basic	**54,233**	49,151
Effect of dilutive securities	**605**	781
Weighted average number of shares outstanding – diluted	**54,838**	49,932

13. INTEREST

(in thousands)	**2003**	2002
Interest income	**$ (988)**	$ (1,420)
Interest expense on long-term debt	**1,271**	–
Other interest expense	**1,130**	1,159
	$ 1,413	$ (261)

14. INCOME TAXES

Total income tax expense varies from the amounts that would be computed by applying the statutory income tax rate to earnings from continuing operations before income taxes for the following reasons:

(in thousands except income tax rates)	**2003**	2002
Statutory income tax rate	**36.7%**	38.7%
Provision based on statutory rate applied to earnings from continuing operations	**$ 41,450**	$ 31,655
Other items	**203**	(204)
	$ 41,653	$ 31,451

14. INCOME TAXES (cont'd)

The income tax effects of temporary differences that give rise to significant future income tax assets and liabilities are as follows:

(in thousands)	**2003**	2002
Long-term future income tax assets:		
Non-capital loss carryforwards	**$ 2,647**	$ 2,466
Share issue costs	**1,615**	2,505
Supplementary Executive Retirement Plan	**2,263**	2,024
Total long-term future income tax assets	**6,525**	6,995
Long-term future income tax liabilities:		
Fixed assets and deferred charges	**8,749**	10,459
Broadcast licences	**224,753**	189,249
Total long-term future income tax liabilities	**233,502**	199,708
Net long-term future income tax liability	**$226,977**	$ 192,713

Major components of income tax expense are as follows:

(in thousands)	**2003**	2002
Current tax expense	**$ 40,744**	$ 33,061
Future income tax expense (recovery) relating to origination and reversal of temporary differences	**909**	(1,610)
Income tax expense	**$ 41,653**	$ 31,451

15. CONSOLIDATED STATEMENTS OF CASH FLOWS

a) Changes in Non-cash Operating Items

(in thousands)	**2003**	2002
Increase in accounts receivable and other current assets	**$(14,113)**	$ (9,271)
Decrease (increase) in program and film rights	**(11,584)**	1,502
Increase in accounts payable and accrued liabilities	**12,945**	11,514
Increase (decrease) in program and film rights payable	**513**	(2,545)
	$(12,239)	$ 1,200

b) Interest Paid, Received and Taxes Paid

(in thousands of $)	**2003**	2002
Interest paid	**(2,401)**	(1,159)
Interest received	**988**	1,420
Income taxes paid	**(37,263)**	(32,509)

c) Non-Cash Transaction

The consolidated statements of cash flows exclude the shares issued amounting to $99.8 million to acquire radio assets in Fiscal 2003 (note 2.a)).

16. COMMITMENTS

The minimum amounts payable under long-term operating lease contracts are as follows:

(in thousands)	
2004	**$ 31,502**
2005	**29,641**
2006	**25,626**
2007	**23,275**
2008	**22,789**
2009 and thereafter	**122,191**
	$ 255,024

17. EMPLOYEE FUTURE BENEFITS

The Company has a voluntary defined benefit pension plan (the "Plan") for all of its employees. The Plan provides pension benefits based on length of service and final average earnings of each member. In addition, the Company has a Supplementary Executive Retirement Plan (the "SERP") to provide supplemental pension benefits to certain key executives. The SERP is not funded, except in the case of a change of control of the Company, with benefits paid as required. The cost of the SERP is expensed over the expected average remaining service life of the participating executives. The Company does not provide any non-pension post-retirement benefits.

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows (weighted-average assumptions as at June 30):

	2003		2002	
	Plan	SERP	Plan	SERP
Discount rate	**7.00%**	**7.00%**	7.00%	7.00%
Expected long-term rate of return on plan assets	**7.25%**	**–**	7.50%	–
Rate of salary escalation	**4.00%**	**4.00%**	3.75%	3.75%

The Company's net benefit plan expense is as follows:

(in thousands)	**2003**		2002	
	Plan	SERP	Plan	SERP
Current service cost	**$ 760**	**$ 263**	$ 850	$ 243
Interest cost	**463**	**440**	358	377
Expected return on plan assets	**(612)**	**–**	(325)	–
Net benefit plan expense	**$ 611**	**$ 703**	$ 883	$ 620

Information about the Company's retirement plans is as follows:

(in thousands)	**2003**		2002	
	Plan	SERP	Plan	SERP
Benefit obligations:				
Benefit obligations – beginning of year	**$ 10,119**	**$ 6,032**	$ 8,489	$ 5,285
Current service cost	**760**	**263**	850	243
Interest cost	**463**	**440**	358	377
Benefits paid	**(998)**	**(36)**	(797)	(74)
Actuarial loss (gain)	**2,183**	**(275)**	4	201
Employee contributions	**1,443**	**–**	1,215	–
Benefit obligations – end of year	**$ 13,970**	**$ 6,424**	$ 10,119	$ 6,032
Plan assets:				
Fair value of plan assets – beginning of year	**$ 9,731**	**$ –**	$ 8,732	$ –
Actual return (loss) on plan assets	**92**	**–**	(574)	–
Employer contributions	**4,664**	**36**	1,155	74
Employee contributions	**1,443**	**–**	1,215	–
Benefits paid	**(998)**	**(36)**	(797)	(74)
Fair value of plan assets – end of year	**$ 14,932**	**$ –**	$ 9,731	$ –

The status of the Company's retirement plans as at August 31, is as follows:

(in thousands)	**2003**		2002	
	Plan	SERP	Plan	SERP
Benefit obligations	**$(13,970)**	**$ (6,424)**	$ (10,119)	$ (6,032)
Fair value of plan assets	**14,932**	**–**	9,731	–
Funded status – plan surplus (deficit)	**962**	**(6,424)**	(388)	(6,032)
Unamortized net actuarial gain (loss)	**(3,843)**	**110**	(1,141)	(164)
Accrued benefit asset (liability)	**$ 4,805**	**$ (6,534)**	$ 753	$ (5,868)

18. BUSINESS SEGMENTS

The Company's business segments are Television, Radio and Outdoor Advertising. The Television segment comprises the Company's specialty, pay and pay-per-view television services. Revenues are derived from subscription fees, pay-per-view sales and advertising. The Radio segment comprises the Company's FM and AM radio stations (excluding those held for disposal). Revenues are derived from advertising aired over these stations. The Outdoor Advertising segment comprises all activities related to posting advertising on the Company's inventory of outdoor panels. Revenues are derived from such advertisements. All activities are conducted in Canada.

				August 31, 2003
(in thousands of $)	Television	Radio	Outdoor Advertising	Consolidated
Revenues from continuing operations	**353,394**	**86,059**	**36,254**	**475,707**
Earnings from continuing operations before undernoted items	**105,782**	**26,467**	**9,582**	**141,831**
Interest, net	**295**	**(26)**	**–**	**269**
Depreciation and amortization	**(8,382)**	**(3,553)**	**(3,188)**	**(15,123)**
Earnings from continuing operations before unallocated items	**97,695**	**22,888**	**6,394**	**126,977**
Interest, net				**(1,682)**
Corporate costs (including depreciation of $ 591)				**(12,353)**
Provision for income taxes				**(41,653)**
Net earnings from continuing operations				**71,289**
Identifiable assets of continuing operations (excluding Corporate assets of $10,933)	**623,507**	**432,748**	**54,780**	**1,111,035**
Additions to fixed assets, broadcast licences and goodwill	**4,913**	**282,307**	**5,952**	**293,172**

				August 31, 2002
(in thousands of $)	Television	Radio	Outdoor Advertising	Consolidated
Revenues from continuing operations	316,855	37,375	32,353	386,583
Earnings from continuing operations before undernoted items	88,915	8,879	8,604	106,398
Interest, net	238	(38)	(21)	179
Depreciation and amortization	(8,546)	(1,437)	(3,069)	(13,052)
Earnings from continuing operations before unallocated items	80,607	7,404	5,514	93,525
Interest, net				82
Corporate costs (including depreciation of $509)				(11,811)
Provision for income taxes				(31,451)
Net earnings from continuing operations				50,345
Identifiable assets of continuing operations (excluding Corporate assets of $66,691)	612,847	144,300	52,036	809,183
Additions to fixed assets, broadcast licences and goodwill	4,986	2,797	9,754	17,537

19. CONTINGENT LIABILITIES

The Company is involved in various legal actions which are normal to the Company's businesses. In the opinion of the Company, potential liabilities that may result from these actions have been adequately provided for and are not expected to have a material adverse effect on the Company's financial position or its results.

20. FINANCIAL INSTRUMENTS

a) Fair Values

The estimated fair values of financial instruments as at August 31, 2003 and 2002 are based on the relevant market prices and information available at the time. The fair value estimates may not be indicative of the amounts that the Company might receive or pay in actual market transactions.

Current Financial Assets and Liabilities

The carrying amounts of current financial assets and liabilities are reasonable estimates of their fair values due to the current nature of these instruments. Current financial assets consist of cash, short-term investments and accounts receivable, while current financial liabilities consist of accounts payable, accrued liabilities and program and film rights payable.

Non-current Financial Assets and Liabilities

The carrying amounts of loans receivable and long-term program and film rights payable approximate their fair values. Given the variable rate on the Company's long-term debt, the carrying value approximates its fair value.

b) Concentration of Credit Risk

The Company performs ongoing credit evaluations of customers and generally does not require collateral. Allowances are maintained for potential credit losses.

As at August 31, 2003, three customers of the Television segment accounted for 38% (2002 – three customers for 41%) of consolidated revenues from operations and no customer accounted for more than 10% of the consolidated accounts receivable (2002 – one customer for 17%).

c) Interest Rate Risk

The Company's interest on long-term debt is at variable rates. As at August 31, 2003, the Company does not have any contracts in order to reduce its exposure to this risk.

shareholders' information

	Class A Shares (non-voting)	Class B Shares (one vote each)
Listing	**TSX**	**TSX**
Symbol	**ACM.A**	**ACM.B**
Recent price[1]	**$26.24**	**$26.65**
High / Low last 12 months	**$25.97 / $16.55**	**$25.50 / $18.01**
Shares outstanding[2]	**51,946,555**	**3,277,522**
Price / Earnings ratio	**20.0 x**	**20.3 x**
Price / Cash flow ratio	**16.2 x**	**16.5 x**
Price / Book value ratio	**1.9 x**	**1.9 x**
Book value per share	**$13.81**	**$13.81**
Dividends per share last 12 months[3]	**$0.15**	**$0.15**

(1) *As at October 6, 2003.*
(2) *As at August 31, 2003. Does not include 65,000 special shares entitled to 10 votes each.*
(3) *The semi-annual dividend rate has been $0.075 per share since August 3, 1992.*

ASTRAL TELEVISION NETWORKS
ASTRAL TÉLÉ RÉSEAUX

BCE Place
181 Bay Street
Box 787
Toronto, Ontario M5J 2T3
Tel.: (416) 956-2010
Fax: (416) 956-2018

2100, rue Sainte-Catherine Ouest
Bureau 900
Montréal (Québec) H3H 2T3
Tel.: (514) 939-5090
Fax: (514) 939-5098

The Movie Network
Mpix
Fax: (416) 956-2018
www.themovienetwork.ca
www.mpix.ca

Super Écran
Fax: (514) 989-5632
www.superecran.com

Viewer's Choice Canada
Fax: (416) 956-2055
www.viewerschoice.ca

Canal Indigo
Fax: (514) 989-5632
www.canalindigo.com

Family
Fax: (416) 956-2035
www.family.ca

Astral Media The Harold Greenberg Fund/Le Fonds Harold Greenberg
Tel.: (416) 956-5431
Fax: (416) 956-2087

Tel.: (514) 939-5094
Fax: (514) 939-1515

LES CHAÎNES TÉLÉ ASTRAL

2100, rue Sainte-Catherine Ouest
Bureau 700
Montréal (Québec) H3H 2T3
Tel.: (514) 939-3150
Fax: (514) 939-3151

VRAK.TV
www.vrak.tv

Canal Vie
www.canalvie.com

Z
www.ztele.com

Canal D
www.canald.com

Historia
www.historiatv.com

Séries+
www.seriesplus.com

TELETOON
BCE Place
181 Bay Street
Box 787, Suite 200
Toronto, Ontario M5J 2T3
Tel.: (416) 956-2060
Fax: (416) 956-2070

2100, rue Sainte-Catherine Ouest
Bureau 200
Montréal (Québec) H3H 2T3
Tel.: (514) 939-5016
Fax: (514) 939-1515
www.teletoon.com

MusiquePlus
MusiMax
TV MAXPLUS
355, rue Sainte-Catherine Ouest
Montréal (Québec) H3B 1A5
Tel.: (514) 284-7587
Fax: (514) 284-1889
www.musiqueplus.ca
www.musimax.com

Astral Media Plus
Astral Media TVPlus
Astral Media Mix
2100, rue Sainte-Catherine Ouest
Bureau 900
Montréal (Québec) H3H 2T3
Tel.: (514) 939-5077
Fax: (514) 939-5079

ASTRAL MEDIA RADIO
1717, boul. René-Lévesque Est
Bureau 200
Montréal (Québec) H2L 4T9
Tel.: (514) 529-3210
Fax: (514) 529-9308

Énergie
Tel.: (514) 529-3210
Fax: (514) 529-9308
www.radioenergie.com

RADIO RockDétente
Tel.: (514) 845-2483
Fax: (514) 288-1073
www.rockdetente.com

Boom fm
boomfm.astral.com

Astral Media Radio Atlantic
206 Rookwood Avenue
Fredericton, NB E3B 2M2
Tel.: (506) 455-1069
Fax: (506) 452-2345

Télé-Annonces
1200, rue Papineau
Bureau 260
Montréal (Québec) H2K 4R5
Tel.: (514) 526-1110
Fax: (514) 526-1354
www.teleannonces.com

ASTRAL MEDIA OUTDOOR
1717, boul. René-Lévesque Est
Bureau 210
Montréal (Québec) H2L 4T3
Tel.: (514) 529-6664
Fax: (514) 529-1489
www.astralmediaoutdoor.com

40 St. Clair Avenue West
Suite 300
Toronto, Ontario M4V 1M2
Tel.: (416) 924-6664
Fax: (416) 924-9031

24 Ranchlands
Crescent Northwest
Calgary, Alberta T3G 1N4
Tel.: (403) 547-8561
Fax: (403) 547-8561

278 East First Avenue
Vancouver, British Columbia
V5T 1A6
Tel.: (604) 876-6664
Fax: (604) 876-6060

Artech Digital Entertainments
6 Hamilton Ave., Suite 250
Ottawa, Ontario K1Y 4R1
Tel.: (613) 728-4880
Fax: (613) 728-4523
www.artech.ca

Astral Media Inc.
Executive Offices

2100, rue Sainte-Catherine Ouest
Bureau 1000
Montréal (Québec) H3H 2T3
Tel.: (514) 939-5000
Fax: (514) 939-1515
www.astralmedia.com

CORPORATE INFORMATION

Auditors
Ernst & Young LLP

Banks
RBC Royal Bank
National Bank of Canada

Transfer Agent and Registrar
Computershare Trust Company of Canada
Montréal, Toronto

Exchange Listings
Toronto Stock Exchange
Symbols: ACM.A/ACM.B

Annual Meeting of Shareholders
December 9, 2003
2:30 p.m.
Design Exchange
Toronto Dominion Center
Trading Floor, 2nd Floor
234 Bay Street
Toronto, Ontario

Ce rapport annuel est également disponible en français.

Visit us at www.astralmedia.com

Design and production: TM design communications
Photos: All Right Reserved

Astral *Media*®

entertainment for your world